

# Growth Determinants of Micro and Small Enterprises: Empirical Evidence from Eastern Zone, Tigray Regional State of Ethiopia

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**Abstract:** *The ultimate aim of this study was to identify the growth determinants of micro and small enterprises in Eastern Zone of Tigray. For analysis purpose, the study used a cross sectional primary data of 285 sampled enterprises. To identify the factors determining the growth of enterprises, logistic regression model was applied. Accordingly, the result revealed, the main determinant factors that positively affect the likelihood of enterprises' growth to be: engagement in service sector, capital accumulation of an enterprise and educational level of employees of an enterprise. Contrarily, age and size of an enterprise were found to have a negative and significant effect on enterprises' likelihood of growing. In general, it can be concluded that this study provides a theoretical proposition consistent with the learning hypothesis (smaller and younger firms grow faster than larger and older firms).*

**Keywords:** Enterprise, Growth, Logit Model, Determinants

## Acronyms and Abbreviations

CSA	Central Statistical Authority
E.C.	Ethiopian Calendar
EDH	Ethiopian Demography and Health
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
FGD	Focus Group Discussion
GDP	Gross Domestic Product
HH	Household
MLE	Maximum Likelihood Estimator
MSEs	Micro and Small Enterprises

## 1. Introduction

72 percent in Sub-Saharan African Countries (Tefera *et al.*, 2013).

### 1.1 Background of the Study

The proposition that small firms need unique development advantages is as old as the concept of economic development itself. Proponents of policies and programs support small firms are labor intensive, efficient, with equitable income distribution, widely dispersed geographically and enhance development of entrepreneurs (Nichter and Goldmark, 2005).

Micro and small enterprises (MSEs, here after) are essential to prompt and sustain economic growth in both developed and developing countries. Their exploitation of potential, using local resources and appropriate technology is seen as an alternative development model to the traditional large-scale intensive stages of growth paradigm in developing economies (Kimando and Sakwa, 2002).

Beck and Demircug-Kunt (2006), reported that small and medium enterprises are major drivers of both employment and economic growth contributing more than 50 percent to GDP and 60 percent to employment in developed economies.

Moreover, the MSEs takes the lion share of fast growing labor force in the world particularly 48 percent in North Africa, 51 percent in Latin America, 65 percent in Asia and

In developing countries, particularly in Ethiopia, MSEs are the second largest employment generating sector next to agriculture. According to CSA (2007) more than 1.3 million people in the country are engaged in MSEs.

There is no clear definition of MSEs; indeed different countries define it differently depending on the number of employees, the capital invested and the total balance sheet. However, the number of employees engaged by the enterprises is the more commonly used unit of measurement of the size of business than the other measurements (Lawrence and Sakwa, 2002). These measurements other than employment might be attractive, but they are susceptible to measurement errors due to; the required data is based on a recall which firms would be incapable to exactly report their sales or profits. Moreover, unlike to sales or fixed assets employment is not affected by inflation (Gebreyesus, 2007).

In the European Union, a micro enterprise is an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed 2 million Euro but small enterprise is which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed 10 million Euro (Dalitso and Peter, 2000).

Contrarily, according to the MSEs development strategy (1997), in Ethiopia micro enterprises are those business enterprises with a paid up capital of not exceeding ETB 20,000 excluding high tech consultancy enterprises and high tech establishments, whereas small enterprises are those business enterprises with a paid up capital above ETB 20,000 and not exceeding ETB 500,000 excluding high-tech consultancy enterprises and high tech establishments (Kefale and Chinnan, 2012).

### 1.2 Statement of the Problem

Firm growth is a recently much debated and inconclusive issue both in economics and strategy researches. Specifically, the debate emanates from the idea empirical evidence does not match with the theoretical literatures. The difference in firm growth is not linked with location, size, age or capital; rather it is connected with managerial capital of the firm and skills of its workforce (Hansen *et al.*, 1999).

Nogare (2006) also argues that growth is more than range of factors and a need for broader perspective covering founders' characteristics, innovation, and complexity of business environment in which MSEs operate. Hence, most MSEs remain the same in size of employment since start up as compared to larger enterprises because the factors that influence the growth of MSEs are many, complex and erratic.

For instance, in Ethiopia the GTP targets for MSEs to create employment opportunities for about three million people so as to reduce unemployment and poverty (MoFED, 2010). Because of the comprehensive support provided to the MSEs, the enterprises had created 1.6 million temporary and permanent employment opportunities in the fiscal year of 2011 (MoFED, 2013).

However, out of the 1000 MSEs, around 69 percent were found to be not growing or survival (Gebreyesus, 2007). Particularly in Addis Ababa 75.6 percent of the MSEs are unable to grow at all since start up; and only 21.9 percent had added workers (Wasihun and Paul, 2010). The same was true for Mekelle city; around 76.4 percent were not growing since the establishment of the MSEs (Tefera *et al.*, 2013). Moreover, research has revealed that 90 percent of the MSEs failed to celebrate their third birth day (Lawrence and Sakwa, 2002).

Therefore, this study is crucial to systematically analyze those factors that determine the growth of MSEs in Eastern zone, Tigray regional state that is remaining scant in Ethiopia. In addition, this study provides empirical evidence to the theoretical proposition smaller and younger firms grow faster than larger and older firms consistent with the learning hypothesis but contrary to the Gibrat's law which states firms grow each year following random drawing from a distribution of growth rates thus small and large firms have on average identical growth chances.

## 1.3 Objectives of the Study

### 1.3.1 General Objective

The overall objective of the study is investigating the growth determinants of micro and small enterprises in eastern zone of Tigray regional state.

### 1.3.2 Specific Objectives

In line with addressing the general objective, this study is designed to address the following specific objectives:

- To empirically analyze the employment growth determinants of MSEs;
- To investigate whether employment growth of MSEs in the study area is consistent with the Learning Hypothesis or Gibrat's law.

## 2. Methodology of the Study

### 2.1 Description of the study area

Tigray Regional State is located in northern part of Ethiopia between 12° 15' – 14° 49' N latitude and 36° 27' – 39° 59' E longitude. According to CSA (2007) the region has an estimated population of 4,565,000 of which 80.5 percent are rural in habitants, while 19.5 percent are urban.

Eastern zone, located on the eastern part of the region, covers about 6,050 square kilo meters. The Zone has a total population of 755,343, of whom 359,638 are men and 395,705 are women; out of which 146,064 (19.34 percent) are urban inhabitants (CSA, 2007). The zone consists seven rural and two town woredas [Woreda is a local word equivalent to district] (Adigrat and Wukro).

Major activity of households in the area is crop production but the available farm land is too fragmented and degraded. As a result of that, a significant number of households especially the urban dwellers depend on MSEs for livelihood activities.

### 2.2 Data Source and Sampling Procedure

#### 2.2.1 Data Source

So as to successfully achieve the stated objectives, the study employed both primary (cross-sectional) and secondary data types. The primary data was collected through dispersing of structured questionnaire containing both close and open-ended questions with face to face interview with the owners of the sampled MSEs' in the target area, direct observations and focus group discussions. Furthermore, information was collected from organizations and other concerned stakeholders in order to identify the opportunities of and challenges for the growth of the enterprises.

#### 2.2.2 Sampling Procedure and Size

A multistage sampling technique including both purposive and simple random probability sampling methods were employed in order to reach at the selection of sampled MSEs used as a source of primary data. Eastern zone of Tigray has nine woredas; out of which seven are rural and two (Adigrat and Wukro) are town woredas.

Here under is the total number of MSEs in each woreda of the zone which is supposed to be a benchmark to select the target population and hence sample representatives.

**Table 1:** Number of MSEs in Eastern zone of Tigray region

Woreda	Number of MSEs
GantaAfeshum	544
GuloMekada	655
Hawzien	907
Atsebiwenberta	1051
Irob	250
KilteAwulalo	940
Saesie-Tsaedaemba	1516
Wukro	2188
Adigrat	4046
<b>Total</b>	<b>12,097</b>

In the first stage, three woredas (Adigrat, Wukro and SaesieTsaedaemba) out of the total 9 woredas are purposely selected to be the target population because they constitute the highest number of MSEs. At last, we use a simple random probability sampling method, to select representative samples from the target population, which is preferable when small-scale surveys are conducted.

Accordingly, in order to minimize personal bias and to make the sample size an exact representative of the target population, it is better to use a statistical formula to determine the number of sampled MSEs from the total number of MSEs.

Here in our case, the target population of MSEs in the three woredas; i.e., a total of 1516 + 2188 + 4046 = 7750 MSEs.

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

(Pegosoet al., 1998)

Where,

$e^2$  = acceptable error (level of precision), which is assigned a value of 5 % (0.05) that is estimate value should be within 0.05 of the true value.

N = population size

n = sample size

Adigrat	Representative sample size $n = \frac{N}{1 + N(e^2)}$ .....(2)
	$n = \frac{4046}{1 + 4046(0.05)^2} = 97$
Using the above formula for the two Woredas:	
Saesie-Tsaedaemba	n= 93
Wukro	n= 95
<b>Total sample size</b>	<b>285</b>

The logit model is then specified as,

$$P(Y_i) = P(\text{ent\_growl} = 1 | X_i) = F(X_i\beta) = \frac{e^{X_i\beta}}{1 + e^{X_i\beta}} = \frac{1}{1 + e^{-X_i\beta}} \dots\dots\dots (4) \quad (\text{Gujarati, 2004})$$

Where,  $X_i\beta = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots\dots\dots + \beta_k X_k$

$P(X_i)$  is nonlinear not only in  $X$  but also in the  $\beta$ 's.

The probability of MSEs not growing is given by:

Then after, 3 most commercial Kebeles from each woreda were purposely selected and a total of 285 sample MSEs were randomly selected; finally their owners interviewed.

### 2.3 Method of Data Analysis

Both descriptive and econometric methods of data analysis were used to analyze the relevant data collected from the sampled MSEs and secondary sources.

#### Econometric Estimation Model used to Estimate the Growth Rates of MSEs'

For the proper identification of the growth determinants of micro and small enterprises, a model which clearly shows the relationship between the dependent and the independent variables was applied. In this study, growth of MSEs is measured using employment size. According to Evans (1987), enterprise growth equation can be specified as:

$$gr = \frac{\ln S_{t'} - \ln S_t}{A} = Y^* \dots\dots\dots (3)$$

Where:  $gr$  is the growth rate of the enterprises,  $\ln S_{t'}$  is natural logarithm of current employment size,  $\ln S_t$  is natural logarithm of initial employment size and  $A$  is age of the MSEs.

MSEs are assumed to be either growing or survival (not growing). Hence, the binary choice logistic regression model that assumes dichotomous dependent variable which takes either 1 or 0 value depending on  $Y^*$  is used. In this case, a value if 1 is given for those enterprises those who are growing and 0 for those who are not.

Thus, in a qualitative response model, the probability that

$$Y = \begin{cases} 1 & \text{if } Y^* > 0 \\ 0 & \text{if } Y^* \leq 0 \end{cases}$$

$Y=1$  is given by the sign of the latent variable that is the probability that the latent variable becomes positive.

Thus, the logit model becomes:

$$\Pr(Y = 1) = \beta_0 + \beta_i X_i + \varepsilon = F(\beta X)$$

Where:  $\beta_0$  is the intercept,  $\beta_i$  are the parameters of interest to be estimated,  $X_i$  is a vector of variables expected to affect the dependent variable significantly and  $\varepsilon_i$  is the error term that has a logistic distribution with mean 0 and variance 1.

$$1 - P(Y_i) = P(\text{ent not grow} = 0 | X_i) = 1 - \frac{e^{X_i\beta}}{1 + e^{X_i\beta}} = \frac{1}{1 + e^{X_i\beta}} \dots\dots\dots(5)$$

Therefore, we can simply derive the *odds ratio*: the ratio of the MSEs probability of growing to the probability of MSEs not growing can be written as:

$e^{X_i\beta}$  = is the odds ratio

$$\frac{P(Y_i)}{1 - P(Y_i)} = \frac{1}{\frac{1}{1 + e^{-X_i\beta}}} = e^{X_i\beta} \dots\dots\dots(6)$$

If we take the natural logarithm of the above equation, we obtain:

$$L_i = \ln\left(\frac{P(X_i)}{1 - P(X_i)}\right) = \ln e^{X_i\beta} = X_i\beta = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots\dots\dots\beta_k X_k \dots\dots\dots(7)$$

$L_i$ , the log of the **odds ratio**, is not only linear in  $X$ , but also linear in the parameters.

$L_i$  is called the **logit model**.

Then, we have the logit estimation as:  $\text{Prob}(\text{odds ent grow} = 1) = L_i = \ln\left(\frac{P(X_i)}{1 - P(X_i)}\right) = X_i\beta$

Taking the calculated growth in employment, MSEs are classified in to two categories i.e., growing (if  $gr > 0$ ) and survival (if  $gr \leq 0$ ) represented in the model by 1 for the growing and 0 for surviving MSEs.

specific marginal effects from these (Schmidheiny, 2007). Marginal effects show changes in the choice probabilities due to change in the independent variables. Thus, Maximum Likelihood Method (MLE) of estimation is used to estimate these parameters of interest.

From this, only the sign of the estimated parameters  $\beta$  can be directly interpreted. A positive sign tells whether the choice probabilities shift to higher categories when the independent variable increases. However, the absolute magnitude of the parameters is worthless. In order to be able to interpret the variables in terms of magnitude, one can obtain the category

### 2.4 Description of Variables used in the Analysis

Review of literatures, idea of experts and knowledge of the researcher were used to identify the potential determinant factors of the assigned dependent variable used in this study.

**Table 2:** Description of dependent and independent variables used for analysis in the study

Variable Name	Description	Expected Sign
<b>Dependent variable</b> ent_grow	Enterprises' growth (1= Growing, 0=Not-growing)	(+)
<b>Independent Variables</b> sex_ownr	Sex of MSEs owner (1=Male, 0=Female)	(-)
age_ownr	Age of MSEs owner (Continuous)	(+)
educ_ownr	Literacy of the MSEs owner (1=Literate, 0=Illiterate)	(+)
entloc	MSEs location (1=suitable , 0= Not suitable )	(+)
A	Age of the MSEs (Continuous)	(-)
enttype	MSEs' type (1= Agriculture, 2= Manufacturing, 3= Service)	(?)
ent_intcap	MSEs' initial capital (Continuous)	(+)
ent_worcap	MSEs working capital (Continuous)	(+)
ent_wsp	Enterprise's working space (1= Enough, 2= Satisfactory, 3= Crowded)	(+)
emp_educ	Average educational level of the employees	(+)
bussknow	Business development service (BDS) participation (1= BDS users, 0= Non users)	(+)
buss_size	Business size (1= Micro, 0= Small)	(+)
acc_credit	Access to credit (1= Yes, 2= Limited, 3= No)	(+)

### 3. Results and Discussions

#### 3.1 Descriptive Analysis

Due to missed data, only 279 of the 285 sampled observations were used for analysis.

##### 3.1.1 Respondents' Demographic Characteristics

Among the total respondents from which the information is gathered, the 271 (97.1%) were owners of the enterprises and the 8 (2.9%) were managers of the enterprises. Thus, we can conclude that, almost the overall data was directly collected from the individuals with a better knowledge about

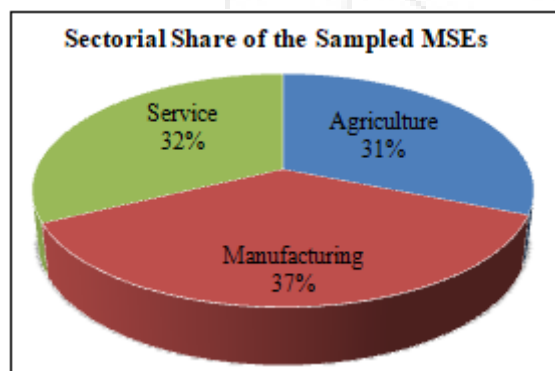
the enterprise from the very beginning/ emergence of the enterprise.

Concerning sex of owners of the enterprises, 215 (77%) of them are males and the remaining 64 (23%) are females. The average age for the entire owners of the sample MSEs is 31.6 with a minimum of 19 and maximum of 78 years. The mean household size for the total sample MSEs' owners is 3.7 which range from 1 up to 15. Out of them, 214 (76.3%) are married, 56 (20%) are single and the remaining 7 (2.5%) and 2 (0.7%) are divorced and widowed respectively. Almost all of the sampled enterprises' owners 276 (98.9%) are orthodox Christians.

The average educational level of the enterprise owners is 8<sup>th</sup> grade which ranges from illiterate individuals up to master's degree holders. 174 (62.4%) of the respondents had a work experience before establishing the current enterprise under consideration and the average number of years of their previous work experience is 5 years and 2 months. But the remaining 91 (37.6%) doesn't had an experience before. This is an indicator of the significant employment creation contribution of the sector.

### 3.1.2 MSEs' General Characteristics

Out of the total 279 MSEs from which the result is drawn, the 170 (61%) are categorized under micro enterprises and the remaining 109 (39%) are considered to be small. Among them the 102 (36.6%) are engaged in manufacturing, 87 (31.2%) in Agriculture and the remaining 90 (32.3%) in service sector.



**Figure 1:** The sectorial share of the enterprises  
 Source: own computation, 2017

Most of the enterprises 234 (84.8%) were self-established (established by the current owners) where as the remaining enterprises 12 (4.4%) were bought from others and the 33 (11.8%) were established through inheritance from parents and other transfer sources to the current owners. Most of the enterprises i.e., 268 (96.8%) do have a formal license means are licensed. But the remaining 9 (3.2%) are not.

The average age of the enterprises since their establishment is 4.3 years; is a life span which can sufficiently imply their growth trend overtime. Information regarding the number of the employees within the enterprises was tried to be seen in two groups; the initial number of employees and current number of employees of the enterprises. During their establishment, the average number of the employees in the enterprises was 2.5 (including 1.03 paid or hired labor and

1.5 unpaid or family labor). Currently, the average number of the employees in the enterprises is 3.7 (including 1.8 paid or hired labor and 1.99 unpaid or family labor). As far as the location of the enterprises is concerned, 118 (42.8%) of the enterprises are located in a suitable area or near to main road side, 153 (55.4%) around traditional markets and the rest 5 (1.8%) are located in unsuitable area that is out of town.

So as to improve the quality and quantity of their product, the enterprises have been trying to introduce different interventions including training their employees and innovating different technologies including new machineries. 191 (68.5%) of the enterprises has trained their employees within the last year and 149 (53.4%) of them has introduced new machinery.

There is a nationally harmonized business proclamation practiced all over the country and 195 (72.5%) of the enterprises do have a sufficient knowledge/ are aware about the proclamation and are acting as per the proper implementation of the proclamation but the rest 84 (27.5%) doesn't have the awareness regarding the rules and regulations of the proclamation. Almost 188 (67.5 %) of the enterprises are members of associations such as chamber of commerce.

Since the performance of any institution or organization or an enterprise is on the hands of its workers, this study had also tried to gather information regarding the educational level of the employees of the enterprises so as to measure its influence. And in each enterprise on average 0.36, 1.83, 1.32, 0.27 and 0.04 employees are illiterate, primary school, secondary school, TVET and above BA/BSc degree level respectively.

### Credit access

Most of the sampled MSEs, 168 (60.2%), do have an access to formal credit including bank but the remaining 111 (39.8%) doesn't. Most 146 (86.9%) of the formal borrowers do borrow from microfinance. Besides, all enterprises do not have an equal access to basic social services such as electricity and water.

### Access to BDS

Business development service (BDS) which provides a knowhow about a business is advisable if all of the enterprises could have its access. However, only 188 (67.3%) do have an access to BDS but the rest 91 (32.7%) don't which is threaten to be one of the causes for the non-growing status.

### Capital Amount

The mean current capital amount of the enterprises is near to ETB 116,677.00 with a minimum and maximum values of ETB 500 and 1,500,000.00 respectively.

The number of branches of a particular MSE may remain constant, decrease or increase over time due to different factors. Unfortunately, for the 279 MSEs, there is no any branch spread and all of the enterprises do have only one enterprise with no branches.

### Source of Initial Capital for the Enterprises

So as to establish an enterprise and run it sustainably, an individual might collect money from different alternative sources. The sampled enterprise owners has also been using different sources for the initial as well as working capital of their respective enterprise. The alternative sources were personal saving, formal loan from MFIs and Banks, family borrowing, family and relatives assistance and informal loan. 75% of the enterprise owners did use their personal saving as the only source of their start-up capital.

### 3.2 Econometric Analysis

#### 3.2.1 Logistic regression model Estimates

In the regression, the binary variable is an enterprise's growth taking value of 1 if an enterprise is growing and 0 if the enterprise is non-growing. With that purpose, logistic estimation model was used for the estimation. The regression result is presented in the table below.

**Table 3:** Logistic estimation results for the likelihood of enterprises' employment growth

Variables	Coef.	P> z	dy/dx	P> z
sex_ownr	-.0696 (.0448)	0.120	-.016 (.010)	0.120
age_ownr	-.0181 (.0209)	0.384	-.004 (.004)	0.384
educ_ownr	.073 (.047)	0.117	.017 (.011)	0.116
Entloc	-.297 (.303)	0.328	-.068 (.070)	0.328
A	-.149 (.057)	0.008	-.034*** (.013)	0.009
Enttype	-1.174 (.209)	0.000	-.272*** (.048)	0.000
ent_cap	2.09e-06 (1.25e-06)	0.095	4.84e-07* (.00000)	0.091
Bussknow	.176 (.343)	0.609	.041 (.079)	0.609
buss_size	-.889 (.358)	0.013	-.197*** (.075)	0.009
emp-edu	1.237 (.777)	.111	.299* (.176)	0.089
_cons	3.41 (.942)	0.000		
Number of obs = 279				
LR chi2(7) = 83.42				
Prob> chi2 = 0.0000				
Pseudo R2 = 0.7450				
McKelvey and Zavoina's R2: 0.6365				
*, ** and *** Significant at 10%, 5% and 1% levels respectively				
(^) dy/dx is for discrete change of dummy variable from 0 to 1				
Figures in parentheses are the <i>Standard Errors</i>				

Source: Own Computation, 2017

#### Interpretation of the coefficients

Independent variables used in the logistic regression are: sex, age and educational level of the enterprise owner, location of the enterprise, age of the enterprise, enterprise type, capital of the enterprise, business size, business knowhow (BDS), and educational level of employees working within the enterprise. Among these, the estimated coefficients of age of the enterprise, enterprise type, capital of the enterprise, business size and educational level of the employees of the enterprise provide strong evidence about their effect on the likelihood of enterprises' growth.

*Age of an enterprise* - is one of the determinant factors that affect an enterprise's growth. The marginal effect of this variable has a negative sign and is statistically significant at 1% level of significance. The coefficient implies, a one year increase in the age of the enterprise decreases the log of the odds that the enterprise is growing by 0.034, keeping the other variables constant. This result provides a theoretical proposition consistent with the learning hypothesis (younger firms grow faster than older firms).

The other influential variable of enterprises' growth is *enterprise's capital*. The variable has statistically significant (at 10% level of significance) and positive coefficient. Implying, a one ETB increase in the capital of an enterprise increases the log of the odds that the enterprise is growing by 4.84e-07, keeping the other variables constant.

*Business size* is also another determinant factor for an enterprise to grow or not. As a result of the logit regression, the coefficient of the variable was found having negative sign and statistically significant at 1% level of significance. This indicates that, the log odds of having growing enterprise for the small enterprise owners is 0.197 lesser than the micro enterprise owners ceteris paribus. Similar to the age variable, this result also provides a theoretical proposition consistent with the learning hypothesis (smaller firms grow faster than larger firms).

There is also a growth difference among the different *sector types*. The coefficient of this variable is negative and statistically significant even at 1% level of significance. The coefficient implies that, for the enterprises engaged in manufacturing and agriculture sector, the log odds of being growing is 0.272 lower than for the enterprises engaged in service sectors, keeping other variables constant.

The other independent variable that significantly affects the likelihood of enterprises' employment growth is education level of the employees of the enterprise. The variable has statistically significant (at 10% level of significance) and positive marginal effect. The coefficient shows that, a one level increase in the educational level of an employee improves the growth of an enterprise by 0.299, holding other variables constant.

## 4. Conclusions and Recommendations

### 4.1 Conclusions

Micro and small enterprises face different factors that affect their growth. This study offers some evidence about the growth determinants of micro and small enterprises found in Eastern Zone of Tigray Region, particularly in Adigrat, Wukro and Saesie-tsaedaembaworedas. A cross sectional primary data collected from 279 sampled MSEs was used for analysis in the study. In addition, the results obtained were validated and complemented with qualitative data collected from the FGDs carried out. Logistic regression method was employed to capture the factors affecting the growth of enterprises in the study area. Growth of the enterprises was measured using employment size in this study. The logit estimation result shows that, the main determinant factors which positively affect the likelihood of enterprises' growth to be: capital accumulation of an enterprise and educational level of employees of an enterprise. On the contrary, age and size of an enterprise does negatively and significantly affect enterprises' likelihood of growing. Besides, being engaged in service sector was found to contribute positively for fast growth than the other sectors.

In general, it can be concluded that this study provides a theoretical proposition consistent with the learning hypothesis.

hypothesis (smaller and younger firms grow faster than larger and older firms).

#### 4.2 Policy Recommendations

Enterprises play an important role to the growth and development of an individual's livelihood as well as a country as a whole. Thus, the enterprises have to be assisted in their emergence (when they are young and small) stage which is their life cycle where they can grow fast.

In addition, besides the results discussed in the previous sections, there are different identified factors in the area that affect the growth and continuation of the enterprises. Many enterprise owners have evidenced as their enterprises are facing numerous problems from inside and outside. The stated frequent causes of stagnancy of their enterprises are beurocratic licensing system and shortage of an access to credit.

Thus, any national policy or development intervention aimed at improving the welfare of the society and boosting the economy of the nation at large should take into account the worthy income, employment and technology transfer contribution of the enterprises and the previously stated problems they are facing in the study area and work better for the solutions.

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