Determinants of Micro and Small Business Enterprises Growth: The Case of Three Selected Woreda, Gurage Zone, Ethiopia

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Abstract: *This study aimed to identifying the major problems that are associated with the growth and success of MSEs specially focuses on trade, services, manufacturing, construction and urban agriculture sectors in Gurage zone three selected Woreda such as Cheha, Abeshge and Enmore ena Eaner. In the study, both qualitative and quantitative research methods were used in order to achieve the objective of the study. Primary data was obtained using questionnaires, unstructured interviews and personal observations. The information gathered through questionnaire from a sample of 140 operators and face-to-face interviews were conducted with the owner of selected MSEs operators and government bodies who are responsible for the case. Secondary data was also collected from books, journals and official document. The respondents of MSEs operators were selected by using of proportional Stratified random sampling techniques. Data were analyzed using descriptive and inferential statistics with the aid of Statistical Packages for Social (SPSS version 20) for measure of central tendency and dispersion,Pearson's Product moment correlation Coefficient and multiple regression analysis. The interview questions were analyzed using descriptive narrations and summation of different respondents' point of views. On the basis of the findings, unfulfilment of infrastructural facilities, shortage of working premises and shortage of finances for start-up and expansion purposes are the top most factors that affect the growth of MSEs activities at the study area..The results of the findings further indicate that there exists positive strong significant relationship between independent variables and dependent variable. Finally, the selected independent variables may significantly test the variations from the dependent variable at 1% level of significance.*

Keywords: Micro and Small Enterprises (MSEs), Determinants, Growth, Gurage Zone

1. Background of the study

Micro and Small Scale Enterprise play a crucial role in economic development and social well-being both in developing and developed world. The aim of MSE development and the provision of MSE services are to enable the entrepreneurs to take advantage of market opportunities and improve the access to skill development opportunities that strengthen entrepreneurial capabilities (UNIDO. 2002).As a result the MSE sector is described as the natural home of entrepreneurship since it provides an ideal environment that enable entrepreneurs to exercise their talents to fill and attain their goals. Due to these MSEs are recognized as a real engine of economic growth and technological progress (Carrier, 1994 & Mulharn, 1995). According to Mulhern (1995), MSEs exert a strong influence on the economies of all countries, particularly in the developing countries. He reported that the MSEs have been a major engine in the economic growth, innovation and technological progress. In addition Carrier (2008) stated that: The MSEs are more fertile than their larger enterprises in terms of innovation and development. The MSE sector is characterized by highly diversified activities which can create job opportunities for a substantial segment of the population. This indicates that the sector is a quick remedy for unemployment problem. To curb unemployment and facilitate the environment for new job seekers and self-employment a direct intervention and support of the government is crucial.

Moreover, MSEs exert a very strong influence on the economic growth of all countries over the world (Aharoni, Drillhon & Estime, 1994). This makes MSEs a major area of concern for government and non-government organizations

with an objective of unemployment reduction, income generation and equitable income distribution, import substitution, innovation, poverty alleviation etc.In developing countries, Micro and Small Enterprises (MSEs) by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their paramount effect on rapid economic growth (MoTI, 1997). The sector is also known in bringing economic transition by effectively using the skill and the talent of people without requesting high-level training, much capital and sophisticated technology. In Ethiopia, about half of the urban workforce is engaged in the MSEs Sector and Addis Ababa nearly accounts for about 40 percent of the total operators in micro enterprise activities (Gebrehiwot & Wolday. 2005). Regarding employment generation of MSEs in Ethiopia, in the PASDEP period (2005/06-2009/10), it was planned to create 1.5 million employment opportunity. Accordingly, through 167,835 MSEs 1.46 million employment opportunities were created (MoUDC. 2011).

In Ethiopia, MSEs Sector is the second largest employment-generating sector following agriculture. A national survey conducted by Ethiopian Central Statistical Authority (CSA) in 2005 in 48 major towns indicates that nearly 585,000 and 3,000 operators engaged in micro and small scale manufacturing industries respectively, which absorb about 740,000 labor forces. Accordingly, the whole labor force engaged in the micro enterprises and small scale manufacturing industries is more than eight folds (740,000 persons) to that of the medium and large scale manufacturing industries (90,000 persons). This is a contribution of 3.4 percent to GDP, 33 percent of the industrial sector's contribution and 52 percent of the manufacturing sector's contribution to the GDP of the year

2001 (CSA, 2005). Micro and small enterprise in Ethiopia are, however, confronted with several factors that affect the performance of MSE. The major factors include financial problems, lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises, etc. Besides, environmental factor affects the business which includes social, economic, cultural, political, legal and technological factors. In addition to these, there are also personal attitudes or internal factors that affect the performance of MSE, which are related to the person's individual attitude, training and technical know-how (Werotew. 2010).

In Gurage zone the majority of the residents are engaged in micro and small enterprise, specifically on trade, service, construction, urban agriculture and manufacturing. In terms of ownership types, micro and small enterprise of the zone can be classified as sole proprietorship and cooperatives. The cooperative type of micro and small enterprise are organized and working condition are facilitated (access to credit service, access to land, etc) by Gurage zone micro and small enterprise agency in cooperation with other government bodies such as omo micro finance, Gurage zone municipality and other responsible government bodies. The sole proprietor types of micro and small enterprises are self-operated, or two or more paid laborers and/or non-paid family members. In the study area, MSEs have a problem of finance when establishing the business. Most individual sources of finance come from personal savings and loans acquired from relatives, friends and money lenders with high amount of interests. After the business goes operational, the probability of becoming profitable and paying back debts along with accrued interest is less. Besides, MSEs do not conduct market research and develop/design a product or service as per the need of customers (Abdulaziz .A. 2009). For MSEs, lack of premises is unquestionably a serious problem in the study area. Most informal operators do not get access to suitable locations where they can get easy access to markets (HLCLEP. 2006). Further, the problem of technical procedures and appropriate technology used by the firm are another factor associated with high technology of equipment's and use of new technologies.

Finally, in reality, literature on MSEs in Ethiopia especially in Gurage zone is very little and most of the available studies were not conducted in line with growth, and socio-economic contribution aspects of micro enterprises. Therefore, the intension of this research is to identify the determinant factors i.e. both internal and external factors whichaffecting the growth of MSEs in a holistic way by targeting and deeply investigating those operators who are engaging in manufacturing, construction, services, trade and urban agricultural activities in three selected Woreda at Gurage zone.

2. Objective of the study

2.1. General objectives

The general objective of this study was to identify the determinant factors which are mostly affecting the growth of MSEs at Gurage zone in three selected Woreda towns.

2.2. Specific objectives

- To assess the challenges of MSEs on their business efforts.
- To examine the sources of finance available for the start-up and the expansion of MSEs.
- To identify the determinant factors that affects the growth of MSEs.
- Recommend possible solution to alleviate the problem of MSEs.

3. Hypothesis

In order to conduct effect assessment and to address the main objective of the study, this particular study has the following hypotheses:
H1: There is a significant relationship between internal business environment and growth of MSEs.
H2: There is a significant relationship between external business environment and growth of MSEs.

4. Related literature reviews

4.1. Concept of micro and small enterprises

Creating and implementing a worldwide, multilateral definition of micro, small, and medium enterprises (MSME) quickly becomes very technical and challenging. Definitions vary between multilateral institutions like the World Bank and United Nations Development Program. Definitions also vary between countries, largely depending on geographic location and the size and scope of a nation's economy. However it is important to come up with some sort of working definition that can be applied to all countries and regions of the world for several reasons. SMEs have been called the backbone of the global economy, with some definitions showing SMEs accounting for 95 percent of the world's GDP. Developing countries are often economically defined by a "missing middle" or a lack of small and medium business to provide jobs, innovation, and wealth. Partners Worldwide is an organization that works to use business as mission to restore a world without poverty. So we as an organization should have some agreement about what defines an SME. There are three criteria that organizations and countries use to define an SME. These criteria are number of employees, total assets, and annual revenue. The challenge lies in the fact that organizations and countries use a variety of combinations and definitions of these criteria (Jeff Bloem. 2012).

Table 4.1: The improved definition of MSEs in Ethiopia

Level of enterprise	Sector	Human power	Total asset
Micro enterprise	Industry	≤5	≤Birr 100000 ($6000 or E4500)
	Service	≤5	≤Birr 50000 ($3000 or E2200
Small enterprise	Industry	6-30	≤Birr 1.5million ($90000 or E70000
	Service	6-30	≤Birr 500000 ($30000 or E23000

Source: Ethiopian Micro and Small Enterprise Development Strategy (2011)

4.1.1. Challenges of MSEs Development in Ethiopia

In Ethiopia, MSEs are confronted with various problems, which are of structural, institutional and economic in nature (MOTI. 1997). Lack of capital, working premises, marketing problems, shortage of supply of raw materials and lack of qualified human resources are the most pressing problems facing MSEs. Although the economic policy of Ethiopia has attached due emphasis to entrepreneurship values and appreciation of the sector's contribution to the economy, there are still constraints related to infrastructure, credit, working premises, extension service, consultancy, information provision, prototype development, imbalance preferential treatment and many others, which therefore need proper attention and improvement. It is in this context that the Ethiopian Micro and Small Enterprises Development Strategy was conceived and developed.

4.1.2. Factors influencing growth in small firms

The theory as presented by D.J. Storey (1994) considers the growing small firm by a categorization combining three components namely;

- The starting resources of the entrepreneur(s);
- The firm;
- And the strategy.

Table 4.2: Factors influencing growth in small firms

The entrepreneur/resources	The firm	Strategy
Motivation	Age	Workforce training
Unemployment	Sector	Management training
Education	Legal form	External equity
Management experience	Location	Technological sophistication
Number of founders	Size	Market positioning
Prior self-employment	Ownership	Market adjustments
Family history		Planning
Social marginality		New products
Functional skills		Management recruitment
Training		State support
Age		Customer concentration
Prior business failure		Competition
Prior sector experience		Information and advice
Prior firm size experience		Exporting
Gender		

Source: D.J. Storey, 1994

4.1.3. Success Factors and Performance of MSEs

Micro and small enterprises considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while others grow slowly. So, it is important to identify the cause factors of success because it helps new entrants of the sector to consider the factors and use for their future in the business (Alasadi and Abdelrahim. 2007). These factors could vary from one country to another due to the economic, geographical and cultural differences. This kind of investigation of the success factor is very important for developing countries like Ethiopia because the research conclusion could be useful for the economic development planners as well as to individual

entrepreneurs and business owners in the countries concerned.

The success of a firm is motivated by external opportunities, such as promising demand prospects for the firm's product, and/or internal inducements, such as a shift to a more efficient utilization of existing resources of the firm. On the other hand, external and internal factors may also function as obstacles to growth and success. As far as external success determinants are concerned, demand for the firm's products is the major factor. Second, the market actions of competitors, the supply of production factors and the features of the local business environment are typically external to a small firm. Internal success determinants include the features of the firm itself and the attributes of the business owners of the enterprises (Tiruneh Abebe. 2011).

4.1.4. Defining Success

Success is often viewed in terms of growth or profitability, but this becomes more complicated when trying to determine the factors that lead towards it. It is important to recognize that while a common measure of success in business is still to be defined, there are some general factors found to influence the success potential of businesses (Beaver. 2002).

4.1.5. Measures of Success

Business success is usually measured in terms of economic performance. As Walker and Brown (2004), small business success can be measured by financial and non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as profit, turnover or return on investment. Implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses. For businesses to be deemed successful these financial measurements require increases in profit or turnover and/or increased numbers of employees. According to Walker and Brown (2004) cited in Hall and Fulshaw. (1993), 'the most obvious measures of success are profitability and growth'. In economic terms this is seen as profit maximization. Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures.

Furthermore Walker and Brown (2004) suggested, 'all businesses must be financially viable on some level in order to continue to exist'. However, given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there must therefore be other non-financial criteria that these small business owners use to measure their business success. Non-financial measures of success used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities (Walker and Brown, 2004 Mohan-Neill 2009) are subjective and personally defined and are consequently more difficult to quantify. The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process. The lack of universally accepted standard performance measures left the

door open to business organizations to decide and choose its own performance measure that might not truly reflect its performance (Alasadi and Abdelrahim. 2007).

4.1.6. The Success Factors

There can be various factors like socio-economic, political and motivational factors that affect the success of small business in general and MSEs in particular. Searching on the literature of MSEs success across the world, we can find various factors affecting their success.

4.1.6.1. Personal Related Factors

1) Education

Some business owners are highly educated and extremely successful whereas others have yet to complete their high school but are equally successful. In many instances, it may depend on the individual himself/herself. Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase productivity and success. 'If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization's success' (Mohan –Niell. 2009).

2) Age

Entrepreneurs very in age from young to old in many instances, an individual may begin a business as a hobby or secondary source of income and have it grow into a profit-driven enterprise. A number of studies have focused on the entrepreneurial characteristics of the owners/managers of small businesses as key factors to small business success. Age of the owners/managers was one of the most important characteristic that was repeatedly used to predict small business performance and success (Lussier and Pfeifer. 2001). Lussier (1995) also argued the relationship of the business owner's age and its effect on the performance of the enterprises. He reported in his study that, 'younger people who start a business have a greater chance to fail than older people starting a business.

3) Prior Business and Industry Experience

Prior to starting their businesses, entrepreneurs are involved in a number of different fields of work and for a variety of reasons such as desire, flexibility, independence, and family commitments decide to open their own businesses. In most instances, they start a business in an area in which they feel comfortable. However, there are also a number of individuals who have absolutely no experience in a given field, but\ start businesses nevertheless. Previous start-up experience and cross-functional experience seem to provide individuals with knowledge that improve their ability to recognize new venture opportunities. Previous small business management experience and varied management experience seem on the other hand to provide individuals with knowledge that increase their ability to handle liabilities of newness in the new venture creation process (Politis and Gabrielson.2002).

4) Prior Management Experience

Management experience may provide entrepreneurs with prior knowledge of markets, ways to serve markets, and of

customer problems (Tiruneh Abebe. 2011). Zeleke (2009) conducts a study on the efficiency of management as a determinant of long-term survival in micro, small and medium enterprises in Ethiopia, and his research ascertains that high level of managerial skills significantly promotes long-term survival and profitability in small businesses and enterprises. Successful businesses are significantly associated with the ability to generate profit on a sustainable basis. Profitability has enabled successful businesses to achieve their next level of growth as well as the potential to stay competitive in business.

5) Marketing Skill of Business Owners

Marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful long term survival in the future (Tiruneh Abebe. 2011).

4.1.6.2. Business Related Factors

1) Planning and Performance in Small Enterprises

A business often begins with an idea that is acted upon. However, to get from the idea stage to the actual business start-up generally involves considerable Planning. In many cases, the amount of actual Planning done is dependent on the willingness of the entrepreneur to do it. Some entrepreneurs prepare business plans as a means to attain financing for their businesses while others use a plan to get all their ideas down on paper to assess whether their business idea is sound and viable(Tiruneh Abebe. 2011). Ahmed, Shahbaz and Mubarak (2008) and cited in Tiruneh Abebe. 2011), suggested that no one should start a business in today's economy without a business plan. They argued that success for small businesses is achieved through planning, commitment, and time, nurturing, financing, and positioning to seize opportunities. Many of these activities must be done on a continual basis as the environment in which businesses operate is continuously evolving.

2) Record Keeping and Financial Control

Poor record keeping can also lead to strained relationships with vendors which may result in difficulty in obtaining and receiving merchandise. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small business failure (Tiruneh Abebe. 2011). The study of Lusseir (1995) cited in Tiruneh Abebe. 2011), supports this fact. In his study, he reported that 'businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do.

3) Form of Ownership

The other study report of Lafuente and Rabetino (2011 cited in Tiruneh Abebe. 2011) indicates the relationship between enterprises performance and forms of ownership. They reported that rather than those firms with a single-tier leadership structure (entrepreneur-manager), the presence of entrepreneurial teams increases firm's resources and capabilities, a fact that enhances employment growth indicating that the presence of entrepreneurial teams improve internal decision making processes leading to higher growth rates. Similarly the study of Lusseir (1995)

supports the fat that enterprises which are owned by more than one owner have a higher chance of success than those enterprises owned and managed by a single owner.

4.2. Empirical Analysis

According to (Enock Nkonoki. 2010) the main factors/problems limiting small firm's success/growth into two groups; first is the factors that originate from within the firm (in other words they are internal to the firm) and the second group is factors that originate from outside the firm (these are external to the firm).The Internal factors limiting small firm growth are the characteristics and attitude of the entrepreneur(s) and the firm as a whole. These factors can be impacted by the decisions made in the firm either by the entrepreneur(s) or the staff in the firm. These factors are ,Lack of motivation and drive , Lack of background and experience in the business , Capital constraint ,Lack of a proper business plan/vision , Theft/cheating and lack of trust in doing business , Poor management , Running informal/ unregistered businesses , Lack of proper record keeping , Inadequate education and training ,People factor/lack of needed talent and Improper professional advice and consultation. The External factors limiting small firm growth are the factors have to do with decisions, rules and policies that affect a small firm directly, and in response the firm has not really control over the decisions made but an influence to a change of their existence is possible. These factors originate from outside the firm, these are, Corruption, Competition, Government policy, Technological barrier, in access to finances/funding, Bureaucratic processes and Unfavorable economic factors.

According to Commission on Legal Empowerment of the Poor (2006), most MSEs in Ethiopia faces critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, access to premise, infrastructure, training in entrepreneurial and management skills, information on business opportunities, and social and cultural factors particularly related to deficient entrepreneurial culture and excessive corruption. Lack of adequate capital, sufficient loan, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles in doing business particularly in the informal sector. Most micro and small enterprises are highly risky ventures involving excessive administrative costs and lack the experience in dealing with financial institutions and do not have a track record of credit worthiness with banks. Since most banking institutions are reluctant to provide small enterprises with loan and credits, most MSEs are unable to secure collateral requirements. As a result of absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded (Commission on Legal Empowerment of the Poor. 2006). According To Wolday and Gebrehiwot (2006), more than 93 percent of MSEs replied that they did not apply for bank loans for the reasons they considered themselves as discouraged potential borrowers, need credit but are discouraged from applying by the perceived or real high collateral requirement, high cost of borrowing, difficulty of processes, ineligibility, or concern about their repayment ability and uninformed (i.e. not aware of the facility, or where and how to apply, etc.). The study done by

Admasu.Abera (2012), the main sources of startup and expansion finance or funds for most MSEs are personal savings followed by Iqub/Idir, family and friends/relatives. The formal financial institutions have not been able to meet the credit needs of the MSEs. Since there is high interest rate and collateral requirement, most MSEs have been forced to use the informal institutions for credit. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. In some cases this problems may be the inability of many operators to meet formal financial institutions requirements for example business plan, governance systems and other accountability issues which are linked to business risk. This shows that the studied operators accessed finance mainly from informal sources.

According to Minster of Urban Development and Construction, (2013), the study also identified a number of challenges and constraints hindering the growth of MSEs in Selected Major Cities of Ethiopia. These challenges were manifested in terms of capital, technology and employment growth trends. Enterprises from the regional cites indicated that shortage of finance (42 percent) to expand their business was their principal challenge, followed by lack of working premise (28.3 percent); and lack of access to market or absence of linkage to market. The study also showed that lack of access to land has been one of the most crucial bottlenecks (26.4 percent) in Addis Ababa, problem of finance (25.6 percent) and access to market (25.1 percent) were among the strong factors inhibiting the growth of these enterprises in the capital. The findings of Mulu (2007) also indicate that banks and MFIs do not seem to support MSEs expansion. Due to this 85 percent of the respondents have never received credit from these formal sources. The availability of other informal sources of finance, however, affects growth positively and significantly. This shows that in the absence of formal source of credit, informal networks appear more appealing for MSEs. Hence, firms with better network to borrow from informal sources such as, relatives, friends, and suppliers better loosen credit constraints, and grow faster.

The other major constraints identified by various studies on MSEs in Ethiopia are associated with market and finance problems. The causes of market-related problems of MSEs engaged in metal and wood work are shortage or absence of marketing skills, poor quality of products, absence of marketing research, shortage of market information, shortage of selling places, and absence of sub-contracting (FMSEDA. 2006). The product line of MSE activities in Ethiopia is relatively similar (Assegedech Woldelul. 2004 and cited in Admasu.Abera. 2012). Accordingly she states that: lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately.According to Mulugeta (2011 and cited in Admasu.Abera. 2012) has identified and categorized the critical problems of MSEs in to market-related problems, which are caused by poor market linkage and poor promotional efforts; institution-

related problems including bureaucratic bottlenecks, weak institutional capacity, lack of awareness, failure to abide policies, regulations, rules, directives, absence of training to executives, and poor monitoring and follow-up; operator-related shortcomings like developing a dependency tradition, extravagant and wasting behavior, and lack of vision and commitment from the side of the operators; MSE-related challenges including lack of selling place, weak accounting and record keeping, lack of experience sharing, and lack of cooperation within and among the MSEs and finally society-related problems such as its distorted attitude about the operators themselves and their products.

In reality, literature on MSEs in Ethiopia especially in Gurage zone is very little and most of the available studies were not conducted in line with growth, success and socio-economic contribution aspects of micro enterprises. However, this research will be try to assess factors affecting the growth and success of MSEs in a holistic way by targeting and deeply investigating those operators are engaged in manufacturing, construction, services, trade and urban agriculture activities in Gurage zone three selected Woreda such as Cheha, Abeshege and Enmore.

4.3. Conceptual framework

In the developing countries large number of population are live with absolute poverty. They strive to generate enough income in each counties but their living standard is still hand to mouth. The low economic growth of these countries was perceived to be cause of lack of capital resources, low production and saving capacity, therefore lack of capital resources and the like factors caused permanent poverty .In order to overcome their state of poverty and low employment rate in developing countries, micro and small enterprises are the alternative to all poor countries which provides considerable social protection and income and employment opportunities to their societies(Abebe Tiruneh. 2006). The research was addressed various types of business constraints such as conducive business environment, inadequate access to finance, lack of infrastructure, access to productive resources, marketing and management related factors. The theoretical consideration on the link between business constraints and the growth potential or performance

of MSEs can be viewed from different angles. Business constraints may, on the one hand, limit physical capital accumulation. On the other hand, they may constrain a firm's ability to undertake its daily operations since they may reduce its internal financing and its capacity to make proper business decisions. Moreover, they may interrupt a firm's business operations and therefore impede its performance (Weldegbriel Mezgebe. 2012).

The constraints are assessing by specific indicators such as increase or decrease in performance of the business enterprises. Majority of MSEs have limited access to external financing. As a result, they depend mainly on their internal resources to finance investment. High tax rates reduce firms' internal sources of finance. In some developing countries, it also discourages MSEs from expanding their operations and becoming visible to governmental officials, since being visible or operating formally is likely to increase the cost of operating. When MSEs have limited access to relatively differentiated markets, they are forced to operate in low income market segments. This limits their levels of sales and profits since most of them compete for the same customers (Weldegbriel Mezgebe. 2012). Besides the above stated obstacles, other factors which may cause MSEs to fail or to upgrade their performance are lack of infrastructure and weak institutional quality. Absence of infrastructure increases cost of production and results in lack of on time production and delivery. Due to poor quality of institutions that are established to support MSEs, rules and regulations will not be enforced and the enterprises will not get the intended support.

This study has both independent and dependent variables. Dependent variable is success of the business enterprises. On the other hand the independent variables are lack of experiences, management and know-how, Infrastructural facilities, Limited access to working place and land, resources and finance, customers and market information and external environment. Therefore, the finding depends on the relationship and outputs of the independent and dependent variables. Therefore, the model shows the relationship between independent and dependent variables.
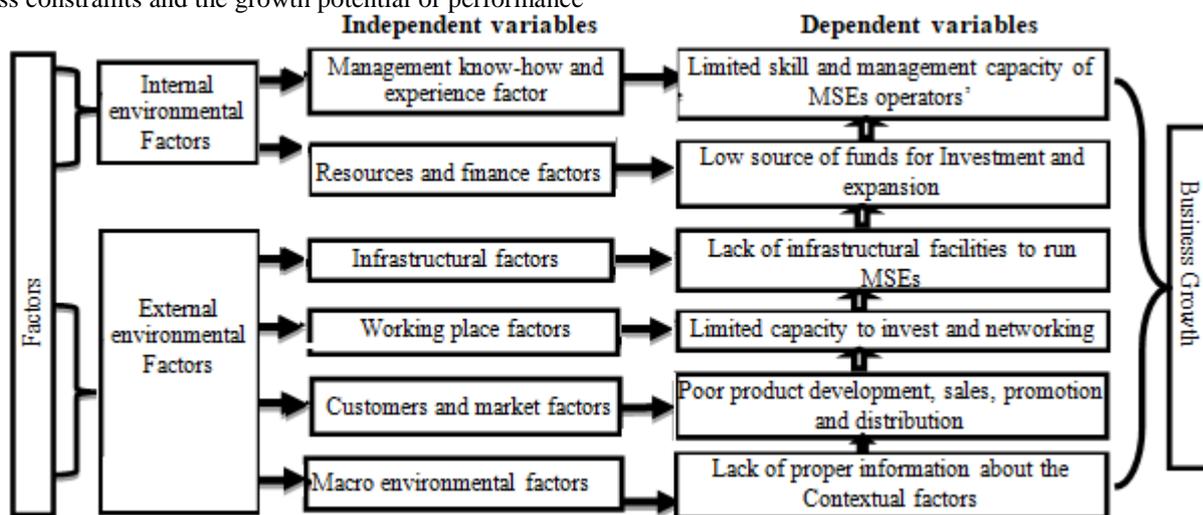

Figure 4.1: Conceptual Framework of the study
Source: Compiled based on the reviewed literature

5. Methodology of the study

Methodology is the way to identify the best and valuable techniques of collecting data for particular study (Dr.sue Greener. (2008). Research must be based on various type of relevant information; this information better to gathered from proper sources in order to do correct work.

5.1. Research design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information (C.R. Kothari. 1990). Therefore, this research conducted in descriptive type of correlational design research because correlation design is the best way of relating two variables that means dependent and independent variables. Descriptive research includes surveys and fact-finding enquiries of different kinds. It tries to discover answers to the questions who, what, when and sometimes how. Here the researcher attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events. The major purpose of descriptive research is description of the state of affairs as it exists at present (C.R. Kothari. 1990).

5.2. Target Population

According to Gurage zone micro and small enterprises coordination bureau Annual report of (2013), there are about 308 MSEsoperators employing 750 people engaging in different kinds of MSEs activities. Therefore, the researcher took 308 operators who are engaging in different kinds of MSEs activities as a target population. The reason for selecting Cheha, Abeshege, and Enmore ena Anare Woreda towns was their nearness and convenience in terms of geographically as well as the availability of infrastructural facilities to collect data in short time. And the other reason is that they have better balanced distribution of all types of MSEs as compared with others.

Table 5.1: The population of the three selected Woreda

Woreda	Types of MSEs					
	Manufacturing	Construction	Trade	Services	Urban Agriculture	Total
Cheha	9	30	65	35	12	151
Abeshge	5	15	30	29	10	89
Enmore ena Anare	3	14	22	20	9	68
Total	17	59	117	84	31	308

Source: Gurage zone micro and small enterprises coordination bureau, 2013

5.3. Sample size determination

In order to determine the desired number of sample from the total population, the researcher used the following Tayro Yamen (1967) sample determination formula:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{308}{1 + 308(0.05)^2}$$
$$n = 174$$

Where, N = Total number of MSSEs operators
n = Desired sample size
e = standard error

5.4. Sampling Techniques

The type of sampling techniques used by the researcher is Probability sampling technique. Probability samples are characterized by the fact that, the sampling units are selected by chance. In such case, each member of the population has a known, non-zero probability of being selected (Dr. sue Greener, (2008). Under the probability sampling techniques, the researcher used Proportional Stratified random sampling techniques in order to get information from different group of Gurage zone MSES operators. This technique was preferred because it is used to assist in minimizing bias when dealing with the population. With this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample. According to Janet (2006:94 cited in Admasu A, 2012), this step increases the probability that the final sample were representative in terms of the stratified groups. The strata are including manufacturing, construction, trade, services and urban agriculture.After the Proportional Stratified sampling method used to determine the number and type of MSEs in each Woreda, random sampling also used to select the final respondents which were given equal chance of being selected into sample.Accordingly, 174 respondents were selected from the total of 308 populations who are operated in different MSEs activities. These 174 respondents were selected from manufacturing, construction, trade, services and urban agriculture on proportional basis.

$$ni = \frac{Ni}{N} * n$$

Where, ni = Number of sample units from stratum i
Ni = the total number of units in the stratum i
n = the desired sample size
N = Total number of units in the population

Table 5.2: Proportional allocation of the desired sample size

Woreda	MSSEs Sectors	Target respondents	Sample Proportion
Cheha	Manufacturing	9	$ni = \frac{9}{308} * 174 = 5.08 \approx$ **5**
	Construction	30	$ni = \frac{30}{308} * 174 = 16.9 \approx$ **17**
	Trade	65	$ni = \frac{65}{308} * 174 = 36.7 \approx$ **37**
	Service	35	$ni = \frac{35}{308} * 174 = 19.8 \approx$ **20**
	Urban Agriculture	12	$ni = \frac{12}{308} * 174 = 6.8 \approx$ **7**
	Total	**151**	**Sample = 86**
Abeshge	Manufacturing	5	$ni = \frac{5}{308} * 174 = 2.8 \approx$ **3**
	Construction	15	$ni = \frac{15}{308} * 174 = 8.5 \approx$ **8**
	Trade	30	$ni = \frac{30}{308} * 174 = 16.9 \approx$ **17**
	Service	29	$ni = \frac{29}{308} * 174 = 16.4 \approx$ **16**
	Urban Agriculture	10	$ni = \frac{10}{308} * 174 = 5.6 \approx$ **6**
	Total	**89**	**Sample = 50**

Enmore ena Anare	Manufacturing	3	ni= $\frac{3}{308}$ * 174 = 1.7 ≈ **2**
	Construction	14	ni= $\frac{14}{308}$ * 174 = 7.9 ≈ **8**
	Trade	22	ni= $\frac{22}{308}$ * 174 = 12.4 ≈ **12**
	Service	20	ni= $\frac{20}{308}$ * 174 = 11.3 ≈ **11**
	Urban Agriculture	9	ni= $\frac{9}{308}$ * 174 = 5.1 ≈ **5**
	Total	**68**	**Sample = 38**

5.5. Sources and method of data collection

The type of information the researcher used both primary and secondary sources of data. The primary data collected through administrated type of questionnaires which is distributed for MSEs operators and unstructured interview were conducted for owners of the enterprises and in addition to this, the researcher used structured type of observation; in this type the observer prepared checklists in order to cross check the factors that impede the growth of the enterprises. The secondary data collected from published and unpublished documents like journals, magazine, sales documents, books, reports and various literatures on the title of the research.

5.6. Data analysis and presentation

Data analysis is the further transformation of the unprocessed data to look for patterns and relationship between and/or among data groups by using descriptive and inferential (statistical) analysis. The Statistical Package for Social Science (SPSS) version 20 used to analyze the data obtained from primary sources. Specifically, descriptive statistics (mean, standard deviation, table and charts) and inferential statistics (correlation and multiple regressions) used in order to transform raw data in to meaningful information. Besides, the qualitative data obtained from interview and observations were analyzed using descriptive narrations and summarization method.

5.6.1. The Pearson Product Moment Correlation Coefficient

To ascertain whether a statistically significant relationship exists between infrastructures, management experience, adequacy of finance, market information, work premises and macro environment with growth of MSEs the Product Moment Correlation Coefficient were used. In this study Pearson's Product Moment Correlation Coefficient was used to determine the following relationships.
The relationship between infrastructures factors and growth of MSEs;
The relationship between financial factors and growth of MSEs;
The relationship between marketing factors and growth of MSEs;
The relationship between working place factors and growth of MSEs
The relationship between management experience and growth of MSEs
The relationship between macro environmental factor and growth of MSEs

5.6.2. Linear Regression Analysis

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (growth of MSEs) and independent variables (infrastructures, finance, market information, working place, and management experience and macro environment). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

Regress success of MSEs on Selected Variables
$Yi = β0 + β1X1 + β2X2 + β3 X3 + β4X4 + β5X5 + β6X6$
Where:
Y is the response or dependent variable- growth of MSEs
X1= infrastructures, X2= finance, X3= market information, X4= working place, X5= management experience and X6 = macro environment are the explanatory variables.
β0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.

β1, β2, β3, β4, β5 and β6 are the coefficients associated with each independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables. Accordingly, this statistical technique was used to explain the following relationships. Regress performance (as dependent variable) on the selected linear combination of the independent variables using multiple regressions.

5.7. Ethical consideration

The research tools were used in accordance with the required research ethics. The data were gathered based on the participants' willingness, processed and analyzed confidentially without researchers' biases. No information obtained from the participants or part of it used for some other purposes. In addition to these, the researchers were used others' intellectual works by acknowledging the authors. Thus, any type of plagiarisms is avoided.

6. Results and Discussion

6.1. Descriptive statistics results and discussion

Prior to running inferential statistics (correlation and regression) to test the null and alternative hypotheses, descriptive statistics analysis and interpretation of the sample enterprises' responses with regard to the demographic and the six main research variables of this study is performed.

Table 6.1 illustrated that, concerning gender 60.7% were male & the rest 39.3% were females. This shows males are highly dominant in MSE's in the town. Concerning age of the respondents, 64.3% were found in 18-30 years range, while 28.6% were the age of the business owners in between 31-40 and 7.1 % were the age of the business owners in between 41-50 years. This shows that most of the respondents who engaged in different sectors of MSE's were found inside youth age range. Regarding the marital status of the respondents, 10% were divorced, 40% were married & the rest 50% were singles. This shows that most of MSE's participants were singles.

When it can classify the enterprises or respondents involved in this study on the bases of their educational qualification, it

can get the following facts 37.1% of the respondents or owners were elementary school completed, 26.4% of the respondents or owners were secondary school completed, 17.1% of the respondents or owners were TVET graduated, 12.9% of the respondents or owners were College diploma holders and 6.4% of the respondents or owners were holding First degree and above. Therefore their educational qualifications of the respondents or business owners were proportionally, elementary and secondary school completed.

Table 6.1: Demographic characteristics of the respondents

Demographic Variables	Frequency	Percentage	Cumulative percentage
Sex of the principal business owner			
Male	85	60.7	60.7
Female	55	39.3	100
Total	140	100	
Age of theprincipal business owner			
18-30	90	64.3	64.3
31-40	40	28.6	92.9
41-50	10	7.1	100
51-60	-	0	
Above 60 years	-	0	
Total	140	100	
Marital status of the principal business owners			
Married	56	40	40
Unmarried	78	50	90
Divorced	14	10	100
Total	140	100	
Educational level of the principal business owners			
Does not read & write	-	0	-
Elementary school	52	37.1	37.1
Secondary school	37	26.4	63.6
TVET graduate	24	17.1	80.7
College diploma	18	12.9	93.6
First degree and above	9	6.4	100
Total	140	100	

Source: Developed for this research, 2014

Table 6.2 illustrated that, majority of the operators 82.9% were engaged in Micro Enterprises with a total capital less than Birr 20,000 while the rest of the sample 17.1% of the respondent were engaged in the category of small businesses enterprise which have total capital within the range of Birr 20,000 to Birr 500,000 according to the classification scheme of MoTI.

As it can show the above table 2 ownerships of the business enterprises, majority of the business enterprises 89.3% which were run by 2 and more employees as a partnership while the reaming 10.7% of the enterprises were operated only by the principal owner of the business as self-employed as sole business owner.

Also from Table 2 one can easily identify the type of the business that the enterprises engaging in. Majority of the enterprises 29.3% involved in service business type such as cafe and restaurant, tea- coffee, barber shops, 22.9% were involved in trade such as retail business, baltena, supply of bread and enjera and butices, 22.1% were involved in manufacturing such as wood and metal work, cobble stone, tailor, 14.3% were involved in construction such as road construction (deache) and the reaming 11.4% were involved in urban agriculture. Table 2 shows the principal sources of

finance for the MSEs in the study. A large proportion 56.4% of respondents started their business by borrowing money from microfinance institutions. This was followed by money obtained from own personal saving 32.1%, families 5%, banks 3.6%, NGOs 2.9%. And none of the respondents got money from relatives/friends. Gebrehiwot & Wolday (2004) cited in Weldegbriel Mezgebe. 2012)) reported informal source of finance as the major source of finance for MSEs which accounts for about 87% whereas the contribution of banks was insignificant 5.9%. From this one can observe that the contribution of MFIs has increased whereas the contribution of banks decreased from 5.9% to 3.6%. Besides, the result of interview shows that majority of MSEs operators in the study area uses informal sources of finance such as MFIs. The formal financial institutions have not been able to meet the credit needs of the MSEs. According to majority interviewee, the reason for emphasizing on informal sector is that the requirement of collateral/ guarantor is relatively low since such sources usually take place among parties with intimate knowledge and trust of each other. But the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. To bring to an end, such constraint of finance for MSE affects their performance directly or indirectly.

Table 6.2: Profiles of the enterprises

Business profiles	Frequency	Percentage	Cumulative percentage
Size of the Business Enterprises			
Micro	116	82.9	82.9
Small	24	17.1	100
Medium	-	100	
Total	140		
Types of business enterprises			
Proprietorship	15	10.7	10.7
Partnership	125	89.3	100
Total	140	100	
The type of business operating			
Construction	20	14.3	14.3
Manufacturing	31	22.1	36.4
Trade	32	22.9	59.3
Services	41	29.3	88.6
Urban agriculture	16	11.4	100
Total	140	100	
Source of initial capital to start up the business enterprises			
Personal saving	45	32.1	32.1
Family	7	5	37.1
Banks	5	3.6	40.7
NGOs	4	2.9	43.6
Micro finance institutions	79	56.4	100
Friends/Relatives	-	0	
Iqub/Idir	-	0	
Total	140	100	

Source: Developed for this research, 2014

6.1.1. Results of Measures of Central Tendency and Dispersion

It is true, finance, management skill and experience, working place, infrastructural, marketing and external macro environmental factors are factors that affect the growth and success of MSEs, this does not mean that all factors are equally affect the growth and success of the business enterprises. As it can be compared the following factors, Infrastructural and Working Place Factors are the series

factors that affect the growth and success of MSEs activities at a selected area of study followed by Finances, Marketing, External Environment and Management & Experience Factors. As compared with the other factors, unfulfilment of infrastructural facilities, shortage of working premises and shortage of finances for start-up and expansion purposes are the top most factors that affect the growth and success of MSEs activities at Gurage zone three selected Woreda.

Table 6.3: Comparison of the major factors

S.N	Factors	Grand Mean	Grand Standard deviation	Rank of factors
1	Marketing factors	3.25	0.98	4th
2	Management and Experience Factors	3.17	0.91	6th
3	Financial Factors	3.37	1.07	3rd
4	Infrastructural factors	3.78	0.88	1st
5	Working Place Factors	3.48	0.92	2nd
6	External Environmental factor	3.22	0.78	5th

Source: Developed for this research, 2014

6.2. Results and discussion of Inferential Statistics

In this part, the results of inferential statistics are presented. For the purpose of assessing the objectives of the study and testing of hypotheses, Pearson's Product Moment Correlation Coefficient and multiple regression analyses were used. In this study, the null hypotheses are accepted because the P-Value greater than α or significance level. With the help of these statistical techniques, conclusions are drawn and decisions are made from the results of research hypothesis.

6.2.1. Pearson's Product Moment Correlation Coefficient

In this section, Pearson's Product moment correlation Coefficient used to determine the relationship of finance, infrastructure, marketing, Working Place, External Environmental and Management and Experience related factors with the growth of MSEs. According to Duncan C. and Dennis H. (2004:38-41, cited in Admasu Abera, 2012), correlation coefficient can range from -1 to +1. The value of -1 represents a perfect negative correlation while a value of +1 represents a perfect positive correlation. Table 10, clearly shows that, the relationship between the selected variables and growth of MSEs for a sample of 140 operators in Gurage zone three selected Woreda i.e. Cheha, Abeshege and Enmor ena Eaner.

There is a strong positive significant correlation between Management skill and Experience Factors($r = 0.993$, $p > 0.01$), Working Place Factors($r = 0.992$, $p > 0.01$), Marketing factors($r = 0.990$, $p > 0.01$), Infrastructural factors($r = 0.982$, $p > 0.01$), Financial Factors($r = 0.990$, $p > 0.01$), External environmental factor($r = 0.990$, $p > 0.01$) and growth. Which are statistically significant at 99% confidence level of MSEs operators which are engaged in trade, services, manufacturing, construction and urban agriculture.

Table 6.4: The relationship between independent and Dependent variables

Independent Variables		Growth
Marketing factors	Pearson Correlation	0.990**
	Sig. (2-tailed)	0.000
	N	140
Management and Experience Factors	Pearson Correlation	0.993**
	Sig. (2-tailed)	0.000
	N	140
Financial Factors	Pearson Correlation	0.990**
	Sig. (2-tailed)	0.000
	N	140
Infrastructural factors	Pearson Correlation	0.982**
	Sig. (2-tailed)	0.000
	N	140
Working Place Factors	Pearson Correlation	0.992**
	Sig. (2-tailed)	0.000
	N	140
External Environmental factor	Pearson Correlation	0.990**
	Sig. (2-tailed)	0.000
	N	140

**Correlation is significant at the 0.01 level (2-tailed).
Source: Developed for this research, 2014

6.2.2. Regressions Analysis

A regression model was developed to test the developed hypotheses so as to determine the significance of the impact of various factors affecting the growth of MSEs. This model incorporated the Factors (independent variables) to predict the growth of MSEs. The dependent variable was the growth of the enterprises (increase/decrease in profitability) and the independent variables includes Marketing, Management Experience, finance, infrastructure, Working Place and External macro environmental related factors. A regression is used to predict the value of certain variable based on the other variable.

Table 11 also displayed that, the correlation between the observed value of performance and the calculated value of the independent variables (Marketing,Management Experience, Financial, Infrastructural, Working Place and External Environmental factors) is 0.995, as indicated by multiple R. Besides, given the R Square value of 0.979 and adjusted R square value of 0.979, it may be realized that 97.9 percent of the variation in performance can be explained by the independent variables. The remaining 2.1 percent of the variance is explained by other variables not included in this study. The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

Predicted performance score = -0.414+ 0.950 (Marketing X1) + 1.006 (Management Experience X2) + 0.998 (Financial X3) + 0.950 (infrastructures X4) + 0.944 (Working Place X5) + 1.034 (External Environmental X6). The standardized beta coefficient column shows that, the contribution of an individual variable to the model or the dependent variable. As it can be compare them, the largest influence on the growth of MSEs is from the Management Experience factor (0.993), Working Place Factors (0.992), Financial Factors, Marketing factors, External Environmental factor (0.990) and Infrastructural factors (0.982). Therefore, as we compared with the Predicted

performance value of the variables, all the independent variables are the largest influence on the growth of MSEs at

Gurage zone three selected Woreda.

Table 6.5: Results obtained from regression analysis.

Model summary	R	R square	Adjusted R square	Std. Error of the Estimate		Sig.
	0.995	0.979	0.979	0.169		0.000
Coefficients	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Variables	B	Std. Error	Beta		
	Constant	-0.414	0.255		12.16	0.298
	Marketing factors(**X1**)	0.950	0.012	0.990	82.30	0.000
	Management and Experience Factors(**X2**)	1.006	0.010	0.993	101.69	0.000
	Financial Factors(**X3**)	0.998	0.012	0.990	82.72	0.000
	Infrastructural factors(**X4**)	0.950	0.015	0.982	61.79	0.000
	Working Place Factors(**X5**)	0.944	0.010	0.992	92.07	0.000
	External Environmental factor(**X6**)	1.034	0.012	0.990	84.12	0.00

Source: Developed for this research, 2014

7. Findings, Conclusions and Recommendations

In this part of the research, the summary of findings of the study is derived from the analysis of both the primary and secondary data. However, the data source is mainly emphasized on the primary data that had been collected from different respondents through questionnaires. Based on the analysis of the data which is collected from the target respondents, the following findings are identified.

7.1. Major findings

- Regarding sex of the MSEs operators majority of the MSEs operators are male and regarding age of the MSEs operators majority of the owners of the business enterprises are Young.
- Regarding size of the enterprises which are running at a given study area was micro business enterprises with a total capital less than Birr 20,000. And regarding forms of business, majority of ownerships of the business types are partnership.
- Majority of MSE operators are engaged in service business sector such as cafe and restaurant, tea- coffee, barber shops, mobile maintenance, photo copy and electronics equipment service.
- The most important sources of finance to start up MSEs are microfinance institutions.
- Most of MSEs operators did not record their financial transaction.
- Most of the MSEs operators are have no efficient experience and management knowhow to perform their activities effectively and efficiently.
- Most of MSEs operators had no adequate infrastructural facilities at the given study area, specially insufficient and interrupted electric power and water supply.
- Majority of MSEs operators in the study area does not have enough working premises and the location of the working premises is not suitable for attracting the new customers.
- Regarding external environmental factors, majority of MSEs operators activities are affected by external related problem such as technological related problems, a problem of market linkage,
- As compared with the other factors, unfulfilment of infrastructural facilities, shortage of working premises and

shortage of finances for start-up and expansion purposes are the top most factors that affect the growth of MSEs activities at the study area.

7.2. Conclusions

Micro and small enterprises are affected by both internal and external factors but the degree of affection different from one with the others. Based on the above finding of the study, the researcher made the following conclusion.

Micro and small enterprises contribution is significant to economic and social development of both the developed and developing countries. In most developing countries especially in Ethiopia, the young generations are engaged in micro and small scale enterprises. The same is true in the study area most of the young generations are engaged in this sector. Regarding sex of the MSEs operators who are engaging in different sectors, majority of the MSEs operators are male business owners while the participation of female operators are less. The result of the finding shows that, majority of ownerships of the business types are partnership which are two or more peoples are joining together to form a group for the purpose of running the business effectively and efficiently. The type of business operating at the given study area by the MSEs operators are service type of business activity as compared with the other types of business activities.

Finance is the back bone of any business enterprises, without adequate finance those business organizations are not perform their business related activities effectively and efficiently. The major sources of finance those MSEs operators are used from informal institutions such as micro finance institutions, the reason for emphasizing on informal sector is that the requirement of collateral/guaranty is relatively low as compared with formal sectors like banks. Regarding infrastructural facilities, most of MSEs operators had no adequate infrastructural facilities at the given study area, specially insufficient and interrupted electric power and water supply. These lead to them, unable to generate adequate profit by satisfying the needs of the customers. Infrastructural problem is not only the problem of the study area problem it is a country wide problem, therefore this problem is not solved by the MSEs operators rather than by the government of the country. The MSEs operators in the

study area does not have enough working premises. Because of this, the MSEs operators are not perform their business related activities effectively and efficiently. Besides, the location of the working premises is not suitable for attracting the new customers that means, the working premises have no access to market.Regarding external environmental factors, majority of MSEs operators activities are affected by external related problem such as technological related problems i.e. the MSEs operators are didn't have the opportunity to get modernized technology at the given study area; this made them unsuccessful. And the other external problem is there was a problem of market linkage with the external parties such as vendor, suppliers and customers. Due to this, most of the time the MSEs operators are kept their products in the store. The statistical result indicates that, there is a strong positive significant correlation between Working Place Factors, Management and Experience Factors, Marketing factors, Infrastructural factor, financial factors, External Environmental factor and growth of MSEs. In this study, the existence of Favorable business environment has a positive significant contribution to the success of MSEs. Enterprises in unfavorable environment are facing challenges and are not able to improve their performance.

7.3. Recommendation

Based on the findings of this study, the researcher forwarded the following important suggestion/recommendations to the concerned bodies.

In relation to management and prior business experience, enterprises owned by individuals with previous management and business experience have better performance as compared with those MSEs operators who have no previous management and business experience. Therefore, Gurage zone trade and industry bureau in collaboration with other government bodies such as trade and industry bureau of the regional state are better to work on preparing training programs on business management issues and creating an opportunities for experience sharing program especially to those enter into the sector without any previous business background.In relation to marketing skills, such as setting competitive price for their products, creating good interpersonal relationship with customers and the way of promoting their outputs to the customers in an effective manner, the MSEs operators are better to enhance their marketing skills through proper training and experience sharing with other successful MSEs, medium and large scale enterprises. In addition to this, the government bodies such as Gurage zone trade and industry bureau and the other stakeholders are better to assist them by searching market for their products which is produced by the MSEs operators, by doing this, it is possible to save them from losses.

In relation to finance, the major sources of finance for most of MSEs operators at the study area are by borrowing money from microfinance institutions. The reason for emphasizing on informal sector is that the requirement of collateral is relatively low as compared with formal sectors like banks but the informal sectors like MFIs are unable to provide/supply enough credit to them as they want. Therefore, Gurage zone trade and industry bureau in collaboration with other government bodies (federal and regional state) have to develop comfortable source of finance for MSEs by organizing and supporting the performance of MFIs and other financial institutions. This can be done by communicating with the banks and other credit institutions to minimize their requirements to provide fund. At the study area, there are infrastructural facility problems like power interruption, inadequate supply of water and transportation problems. Therefore, the government (federal and regional) and the other concerned bodies like NGOs have to give attention to minimize such kind of problems to improve the performance of MSEs.In relation to working premises, at the study area the MSEs operators are faces enough working space problems therefore, Gurage zone trade and industry bureau in collaboration with other government bodies such as Gurage zone municipality and other responsible government bodies are better to prepare and provide enough working space for the purpose of expanding their business and production capacity.

Generally, in order to make them more profitable and generate a new idea for the purpose of producing a new product with a new design, style and quality, the government bodies as well as the other stakeholders are better to create favorable business environments especially in relation to technology.

8. Future Research Direction

The study tried to deal with the determinant factor of micro and small business enterprise in Gurage zone three selected Woreda only, therefore, future researchers expected to include medium size business enterprise and the other Woredas which are not considered in this study.

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