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埃塞俄比亚小微型企业发展影响机制研究

STUDY ON THE INFLUENCING MECHANISM OF THE DEVELOPMENT OF SMALL AND MICRO ENTERPRISES IN ETHIOPIA

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摘 要

本研究的依据在于认识到微型、小型和中型企业(MSE)对埃塞俄比亚的经济增长和创造就业机会至关重要。政府建立了许多机构来促进中小型企业的顺利运作，非政府组织(NGO).也在促进其发展方面发挥着重要作用。然而，尽管做出了这些努力，但由于长期存在的问题，该部门的表现并未达到许多利益相关者的期望。本研究的主要原因之一是深入研究影响埃塞俄比亚微型和小型企业 (MSE)
发展的机制。主要目标是调查和确定这些企业的绩效与各种选定的影响因素之间的关系。此外，该研究旨在确定这些因素对小型和微型企业绩效的影响。埃塞俄比亚长期以来一直承认中小型企业在促进经济增长和创造就业方面发挥的关键作用。这种认可体现在政府为这些企业创建支持性生态系统的努力中。已成立了各种机构，专门负责支持中小微企业，解决它们的需求和挑战，确保它们可持续发展。这些机构提供融资、培训、市场联系和政策宣传等基本服务。

与此同时，非政府组织也积极参与促进中小微企业的发展。它们通过提供培训、促进市场准入和倡导有利于这些企业发展的政策来提供补充支持。政府机构和非政府组织的共同努力，建立了一个强大的支持系统，旨在促进中小微企业的成长和发展。尽管做出了这些努力，但中小微企业部门的表现并未完全满足各利益相关方的期望。一些持续存在的问题继续阻碍该部门发挥潜力。这些问题可能包括融资渠道有限、基础设施不足、缺乏市场准入、管理技能不足以及监管挑战。这些问题导致中小微企业表现不佳，阻碍了它们充分发挥潜力，并严重影响了它们对经济的贡献。

鉴于此，本研究的主要目标是调查影响埃塞俄比亚微型和中小型企业发展的机制。通过确定这些企业的绩效与各种影响因素之间的关系，本研究旨在全面了解推动或阻碍其成功的因素。这种了解对于制定有针对性的干预措施和政策以有效应对该行业的挑战至关重要。本研究重点关注被认为会影响微型和中小型企业绩效的几个关键影响因素。这些因素包括融资渠道、基础设施、市场准入、管理技能和监管环境。通过研究这些因素，本研究旨在确定它们对小型和微型企业绩效的具体影响。这项分析将提供宝贵的见解，了解哪些领域需要最多的关注和干预，以提高微型和中小型企业部门的整体绩效。

融资渠道是中小微企业成长和发展的关键因素。融资渠道有限会严重制约这些企业投资运营、扩大业务和有效参与市场竞争的能力。本研究旨在探索融资渠道对中小微企业绩效的影响程度，并找出应对这一挑战的潜在解决方案。基础设施是另一个可能显著影响中小微企业绩效的关键因素。基础设施不足，如交通网络差、电力供应不稳定和通信技术使用受限，会给企业带来巨大障碍。本研究旨在了解基础设施在支持或阻碍中小微企业发展方面的作用，并提出改善基础设施以提高其绩效的建议。市场准入对于中小微企业的增长和可持续发展至关重要。市场准入有限会限制这些企业接触客户、创造销售额和扩大业务的能力。本研究旨在调查市场准入对中小微企业绩效的影响程度，并找出改善这些企业市场联系和准入的策略。管理技能对于中小微企业的成功也至关重要。缺乏管理专业知识和商业敏锐度会阻碍这些企业有效规划、管理资源和做出明智决策的能力。本研究旨在评估管理技能对微型和中小型企业绩效的影响，并提供通过培训和发展计划提高管理能力的建议。最后，监管环境在塑造微型和中小型企业绩效方面发挥着重要作用。复杂而繁琐的法规会造成进入壁垒，增加合规成本，并限制这些企业的增长潜力。本研究旨在研究监管环境

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对微型和中小型企业绩效的影响，并确定监管改革的机会，以创造更有利于其发展的环境。

总之，本研究的动机是解决阻碍埃塞俄比亚中小微企业业绩的长期问题。通过研究影响中小微企业发展的机制并确定业绩与各种影响因素之间的关系，本研究旨在为改善该部门的业绩提供有价值的见解和建议。这些见解对于政策制定者、政府机构、非政府组织和其他利益相关者设计有针对性的干预措施和政策以支持埃塞俄比亚中小微企业的增长和发展至关重要

本研究采用描述性和解释性的研究设计分析、解释并提出一些关于埃塞俄比亚中小微企业发展影响机制的解决方案。描述性研究是一种描述现象特征的研究，用于收集有关某种现象与中小微企业发展机制条件的数据。解释性研究设计用于分析发展影响机制对微型和小型企业的影响，并解释微型和小型企业绩效与某些选定的发展影响机制之间的关系。采用混合研究方法，混合研究方法同时使用定性和定量研究，因为它可以获得足够的信息以更好地理解所研究的主题。**定量数据是将**对亚的斯亚贝巴的 106 **名中小微企**业主/**企**业进行结构化问卷调查。这将涉及五点李克特量表，以收集有关业务运营各个方面以及影响因素的感知影响的信息。定性数据是将与关键消息来源进行半结构化访谈，包括高级市政管理人员、微型和小型企业局官员以及中小微企业负责人/**高**层管理人员。这允许深入探索问卷中预定义问题以外的经验和见解。本研究的对象为埃塞俄比亚的微型和中小型企业。

该研究的目标人群是亚的斯亚贝巴的微型和小型企业的企业主。本研究的目标人群是亚的斯亚贝巴的中小微企业业主/企业。通过简单随机抽样技术，从木材和金属制品、纺织品和服装、食品制备和加工以及皮革制品公司中选出了总共 106 名受访者。本研究使用了主要和次要数据类型。为了收集原始数据，我们对市政高级管理人员和中小微企业局管理人员进行了问卷调查和关键信息访谈。关键信息访谈包括企业负责人和高层管理人员。研究人员之所以使用这种技术，是因为半结构化访谈使研究人员能够敦促或促使受访者披露更多细节。二手数据来自各种来源，包括期刊、书籍、网站、电子报纸和政策文件。使用推论统计和描述统计分析数据。描述性统计数据用于描述影响 MSE 绩效的诸多因素。对该样本的问卷数据进行了描述性和推论统计分析。即使使用多元回归和皮尔逊积差相关系数，平均值和标准差也能解释描述性统计数据。使用五点李克特量表问卷收集 106 家小型和微型企业的信息。这种顺序解释设计确保研究建立在坚实的定量数据基础之上，然后再通过定性分析深入探究影响机制的复杂性。这种方法为致力于促进埃塞俄比亚中小微企业蓬勃发展的利益相关者提供了更有力的建议和可操作的见解。

结果显示，管理参数与小微企业绩效之间存在微弱但具有统计学意义的联系（r = 0.270*，p =.0.035）。由于 p 值小于.05。这表明管理与小微企业绩效之间存在略微有利但具有统计学意义的关联。另一方面，相关性研究表明，财务和营销方面与小微组织绩效之间存在微弱的显著正相关关系，概率值各不相同。结果研究显示，基础设施组成部分与小微企业绩效之间存在显著而稳健的联系（r = 0.802*，p =.0.000）。由于 p 值小于.05。这表明小微企业绩效与基础设施之间存在显著且高度正相关的关系。

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上述数据表明，小微企业绩效与政治和法律监管之间存在良好的统计显著相关性（r = 0.794* p = 000）。这使我们得出结论，小微企业绩效与政治和法律监管之间存在高度显著的正相关关系。根据结果，技术特征与小微企业绩效之间存在显着且稳健的联系（r = 0.789*，p =.000）。由于 p 值为.000，低于.05。这表明技术相关参数与小微企业绩效之间存在显着且良好的相关性。

根据研究，工作场所特征与小型和微型企业的成功具有中等和显著的正相关关系（r = 0.592*，p =.000）。结果 p 值为.000，低于.05。这表明小型和微型企业的绩效与其工作环境之间存在良好的中等和显著关联。多元回归结果显示，营销对埃塞俄比亚小型和微型企业的企业绩效具有正向和不显著的影响，其 beta 系数值为 (0.103)，p 值为 .421，置信水平为 95%。营销对小型和微型企业的企业绩效具有统计上的不显著影响，营销系数对小型和微型企业绩效毫无意义。

多元回归分析结果表明，金融对埃塞俄比亚中小微企业业绩具有统计学显著影响，其 beta 系数值为 (0.125)，p 值为 .043，置信水平为 95%。因此，研究人员接受零假设。因为金融对中小微企业业绩具有统计学显著影响。

多元回归的结果表明，管理对埃塞俄比亚中小微企业的业绩有统计学意义，beta 系数值为（0.171），p 值为.051，置信水平为 95%。因此，研究者接受零假设。由于管理对中小微企业的业绩有统计学意义。基础设施这个变量对埃塞俄比亚中小微企业的业绩有统计学意义，beta 系数值为（0.313），p 值为 049，置信水平为 95%。因此，研究者接受零假设。由于基础设施对中小微企业的业绩有统计学意义。政治和法律法规这个变量对埃塞俄比亚中小微企业的业绩有统计学意义，beta 系数值为（0.434），p 值为.042，置信水平为 95%。因此，研究者接受零假设。由于，政治和法律法规对中小微企业的业绩具有统计学意义。变量技术对埃塞俄比亚中小微企业的业绩具有统计学意义，其 beta 系数值为 (1.287)，p值为 .000，置信水平为 95%。因此，研究人员接受零假设。由于，技术对中小微企业的业绩具有统计学意义。

独立变量（政治和法律法规、营销、财务、工作环境、管理、技术和基础设施要素）解释了绩效差异的 80.30%。本研究未涉及的其他因素解释了剩余的 19.7% 的差异。基础设施、政治和法律以及技术方面被发现是中小企业成功的主要决定因素。这些因素与埃塞俄比亚中小企业的绩效有很高的正相关关系。基础设施要素对 MSE 绩效的影响最大

（0.802），其次是政治和法律变量（0.794）。相反，影响 MSE 绩效的技术考虑因素的 beta 值为 0.789。研究发现，小型和微型公司的绩效与管理参数具有微弱但显着的关联（0.270）。同样，研究表明，随着概率值的变化，营销和财务方面与小型和微型组织的成功之间存在微弱的正相关和显着关联。但研究发现，概率值为（r=0.592），工作环境变量与小微组织绩效之间存在中等程度的显著关联。

研究得出的结论是，以下因素对埃塞俄比亚小微企业的绩效具有统计显著影响：金融、管理、基础设施、政治和法律法规、技术和工作环境。这些发现是基于多元回归分析的结

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果是。**研究**结果强调了基础设施、稳定的政治和法律环境以及技术采用在推动微型和中小型企业成功方面的关键作用。这些领**域**值得政策制定者和利益相关者的优先关注。然而，研究还揭示了管理技能、融资渠道和积极的工作环境的重要性，尽管它们的影响在统计上可能较弱。忽视这些因素仍然会阻碍微型和中小型企业的发展和整体绩效。

本研究的局限性，尤其是预先确定的独立变量集，为进一步探索打开了大门。研究社会和文化影响、创业特征和商业网络访问可以更细致地了解埃塞俄比亚微型和中小型企业的状况。此外，除了盈利能力之外，纳入其他绩效指标可以捕捉微型和中小型企业对创造就业机会、社会进步和长期可持续性的更广泛影响。通过承认这些局限性并沿着建议的途径进行进一步**研究，利益相关者可以完善他**们的理解并设计更有效的干预措施。拟议的政策和干预建议针对基础设施建设、政治和法律框架、技术采用、管理技能发展、融资渠道和积极的工作环境，为在埃塞俄比亚为微型和中小型企业创建更具支持性的生态系统提供了一个起点。

投资这些领域可以帮助微型和中小型企业所有者克服挑战，充分发挥其潜力，并为该国的经济和社会发展做出有意义的贡献。随着微型和中小型企业的蓬勃发展，它们可以创造就业机会，创造创新解决方案，推动包容性增长，推动埃塞俄比亚走向更光明的未来。

本研究并未涵盖影响中小企业发展的所有因素，因为它包含的独立变量仅被认为是埃塞俄比亚商业环境中所有经营者的普遍变量。这些变量包括政治、法律、营销、基础设施、金融、技术和管理等领域。大多数中小企业以利润为中心，因此本研究将盈利能力作为其发展的一个衡量标准。这是因为大多数经营者不保留记录，他们的业务以生存为基础，因此他们通过满足家庭开支和确保业务持续存在来衡量其绩效。

在亚的斯亚贝巴的每个小微企业中心设立一个微型和小型企业循环基金，分配固定金额，允许经营者使用这些资金进行启动和每月还款。这个过程将受到密切关注，推广人员也将提供技术帮助。另一种方法是提供预定期限的工作保证，同时通过与信贷和储蓄组织建立联系来鼓励储蓄。在亚的斯亚贝巴市，需要有一个有条不紊、运行良好的创业培训机构，为微型和小型企业官员、推广人员和公司所有者提供持续培训。它通过推广人员评估当前的市场数据，研究新兴和成熟的商业部门，找出机会和风险，最重要的是，与微型和小型企业经营者讨论如何拥有广阔的视野，从而发展中小型企业。微型和小型企业办公室应建立组织良好的营销网站，所有生产商都可以在那里提供他们的商品出售，并在上面贴上价格和标记，并共同推广。这使微型和小型企业的产品能够进入市场，并通过组织良好的营销结构轻松推广商品。所有经营者都可以平等地进入市场，这也消除了不公平的住房租金，让他们可以选择专注于生产，而他们的商品则在共同市场上销售。研究人员表示，更多的研究可能会关注零售、城市农业和建筑等其他行业，并提供可能对整个国家的发展产生重大影响的特定结果。

除了前面提到的战略外，创造更有利的商业环境对于埃塞俄比亚的中小微企业发展至关重要。以下是一些额外的建议。简化企业注册流程可以减轻行政负担，鼓励中小微企业正规化。这可能涉及利用在线注册平台或一站式服务中心获取必要的执照和许可证。对新成立的中小微企业实施有针对性的税收减免或免税期可以激励企业创业并将利润再投资于增长。鼓励研发活动和促进技术获取，可以帮助中小微企业提高效率、开发新产品和服务，

并在市场上更有效地竞争。这可能涉及建立创新中心、为研发投资提供税收减免，以及提供数字营销和电子商务培训计划。提供对有关商业法规、市场趋势、融资机会和最佳实践的相关信息的集中访问，可以使中小微**企**业经营者能够做出明智的决策。这可能涉及建立在线门户网站或与商会合作传播重要的商业信息。公私伙伴关系可以促进政府机构、培训机构和成熟企业之间的合作。这可以促进为中小微企业主制定更有针对性的培训计划和辅导机会。基础设施建设联合投资公私伙伴关系还可以在加速对中小微企业发展至关重要的基础设施建设项目方面发挥关键作用，例如改善交通网络、电网和农村地区的通信技术。

将创业教育引入学校课程可以培养年轻一代的创新和自主创业文化。这可以让学生掌握成为未来商业领袖所需的技能和思维方式。突出和庆祝埃塞俄比亚企业家的成功故事可以**激励和鼓舞有抱**负的企业主。这可以通过奖励计划、媒体报道和指导计划来实现。通过实施这些策略的组合，利益相关者可以为中小微企业在埃塞俄比亚蓬勃发展创造一个更有利的环境。这将有助于繁荣的创业生态系统，推动经济增长、创造就业机会和整个国家的发展。

在埃塞俄比亚建立一个蓬勃发展的中小微企业生态系统需要采取全面和协作的方法。研究结果为关键影响因素提供了宝贵的见解，但真正的进步需要解决基础要素和实际考虑，包括金融赋权、市场准入、技能发展、支持性商业环境和创业文化。通过致力于实施拟议的政策和干预战略，利益相关者可以赋权埃塞**俄比**亚中小微企业，使其充分发挥潜力，推动国家走向更光明的未来。

关键词：小微企业 发展机制 影响因素 绩效

Abstract

The rationale for this study is rooted in the recognition that Micro, Small, and Medium Enterprises (MSEs) are vital to Ethiopia's economic growth and job creation. The government has established numerous institutions to facilitate the smooth functioning of MSEs, and non-governmental organizations (NGOs) are also playing a significant role in promoting their development. However, despite these efforts, the performance of the sector has not met the expectations of many stakeholders due to persistent problems.One of the main reasons for this study is to delve deeper into the mechanisms that influence the development of Micro and Small Enterprises (MSEs) in Ethiopia. The primary objective is to investigate and identify the relationships between the performance of these enterprises and various selected influencing factors. Additionally, the study aims to determine the impact of these factors on the performance of small and micro businesses.Ethiopia has long acknowledged the critical role that MSEs play in fostering economic growth and generating employment. This acknowledgment is evident in the government's efforts to create a supportive ecosystem for these enterprises. Various institutions have been established with the specific mandate to support MSEs, addressing their needs and challenges to ensure their sustainable development. These institutions provide essential services such as access to finance, training, market linkage, and policy advocacy.

In parallel, NGOs are also actively engaged in promoting the development of MSEs. They offer complementary support by providing training, facilitating access to markets, and advocating for policies that favor the growth of these enterprises. The combined efforts of government institutions and NGOs have created a robust support system aimed at fostering the growth and development of MSEs.Despite these efforts, the performance of the MSE sector has not fully met the expectations of various stakeholders. Several persistent problems continue to hinder the sector's potential. These problems may include limited access to finance, inadequate infrastructure, lack of market access, insufficient managerial skills, and regulatory challenges. These issues contribute to the suboptimal performance of MSEs, preventing them from achieving their full potential and significantly impacting their contribution to the economy.

Given this context, the study's main objective is to investigate the mechanisms that influence the development of MSEs in Ethiopia. By identifying the relationships between the performance of these enterprises and various influencing factors, the study aims to provide a comprehensive understanding of what drives or hinders their success. This understanding is crucial for developing targeted interventions and policies that can effectively address the sector's challenges.The study focuses on several key influencing factors that are believed to impact the performance of MSEs. These factors include access to finance, infrastructure, market access, managerial skills, and regulatory environment. By examining these factors, the study aims to determine their specific impact on the performance of small and micro businesses. This analysis will provide valuable insights into which areas require the most attention and intervention to improve the overall performance of the MSE sector.

Access to finance is a critical factor for the growth and development of MSEs. Limited access to financial resources can severely constrain the ability of these enterprises to invest in their operations, expand their businesses, and compete effectively in the market. The study aims to explore the extent to which access to finance influences the performance of MSEs and identify potential solutions to address this challenge.Infrastructure is another crucial factor that can significantly impact the performance of MSEs. Inadequate infrastructure, such as poor transportation networks, unreliable power supply, and limited access to communication

technology, can create substantial barriers for businesses. The study seeks to understand the role of infrastructure in supporting or hindering the development of MSEs and provide recommendations for improving infrastructure to enhance their performance.Market access is essential for the growth and sustainability of MSEs. Limited access to markets can restrict the ability of these enterprises to reach customers, generate sales, and expand their operations. The study aims to investigate the extent to which market access influences the performance of MSEs and identify strategies to improve market linkage and access for these enterprises.Managerial skills are also critical for the success of MSEs. Lack of managerial expertise and business acumen can hinder the ability of these enterprises to effectively plan, manage resources, and make informed decisions. The study seeks to assess the impact of managerial skills on the performance of MSEs and provide recommendations for enhancing managerial capacity through training and development programs.Lastly, the regulatory environment plays a significant role in shaping the performance of MSEs. Complex and burdensome regulations can create barriers to entry, increase compliance costs, and limit the growth potential of these enterprises. The study aims to examine the impact of the regulatory environment on the performance of MSEs and identify opportunities for regulatory reforms to create a more enabling environment for their development.

In conclusion, this study is motivated by the need to address the persistent problems that hinder the performance of MSEs in Ethiopia. By investigating the mechanisms that influence the development of MSEs and identifying the relationships between performance and various influencing factors, the study aims to provide valuable insights and recommendations for improving the sector's performance. These insights will be crucial for policymakers, government institutions, NGOs, and other stakeholders in designing targeted interventions and policies to support the growth and development of MSEs in Ethiopia

This study adopted a descriptive and explanatory research design to analyze, interpret and to commend some solutions on the influencing Mechanism of the development of Small and Micro Enterprises in Ethiopia. The descriptive research is a study designed to describe the characteristics of a phenomena and it was used to collect data concerning a certain phenomenon in respect to the conditions of Mechanism of the Development of Small and Micro Enterprises. The explanatory research design was used to analyze the effect influencing Mechanism of the Development on micro and small scale enterprise and to explain the relationship between performance of micro and small scale enterprise and some selected influencing Mechanism of the Development. A mixed research methodology was used and a mixed research approach use of both qualitative and quantitative working since it permits to get adequate information for a better understanding of the topic under investigation. Quantitative Data **is** structured questionnaire will be administered to a sample of 106 MSE owners/firms in Addis Ababa. This will involve a five-point Likert scale to gather information on various aspects of business operations and perceived impacts of influencing factors. Qualitative Data is Semi-structured interviews will be conducted with key informants, including senior municipal administrators, Micro and Small Enterprises Bureau officials, and MSE heads/upper management. This allows for in-depth exploration of experiences and insights beyond pre-defined questions in the questionnaire. The population of this study is MSEs in Ethiopia.

The target populations of the study were composed of business owners who are involved in micro and small enterprise at Addis Ababa. The target population of this study was the business

owners/firms of MSEs in Addis Ababa. A total of 106 respondents were selected from wood and metal products, textiles and clothing, food preparation and processing, and leather products companies through simple random sampling technique. The study used both primary and secondary data types. To collect primary data, questionnaires and key informant interviews were conducted with senior municipal and Micro and Small Enterprises Bureau administrators. Key informant interviews included heads of enterprise and upper management. The researcher used this technique because semi-structured interviews enable the researcher to urge or prod the respondent to disclose more details. Secondary data was gathered from a range of sources, including journals, books, websites, electronic papers, and policy documents. The data was analyzed using both inferential and descriptive statistics. Descriptive statistics were used to describe the many factors affecting MSE performance. Descriptive and inferential statistical analyses were performed on the questionnaire data from this sample. The mean and standard deviation provided an explanation for the descriptive statistics, even if multiple regression and the Pearson Product Moment Correlation Coefficient were employed. A five-point Likert scale questionnaire was utilized to gather information from 106 small and micro firms. This sequential explanatory design ensures that the study builds upon a solid foundation of quantitative data before delving deeper into the complexities of the influencing mechanisms through qualitative analysis. This approach leads to more robust recommendations and actionable insights for stakeholders invested in fostering a thriving MSE sector in Ethiopia.

The results showed a weak but statistically significant link (r = 0.270*, p =.0.035) between management parameters and the performance of small and micro enterprises. Due to the fact that the p-value was smaller than.05. This demonstrates that there was a marginally favorable but statistically significant association between management and small- and microbusiness performance. Correlation study, on the other hand, reveals that there is a weakly significant and positive association between the financial and marketing aspects and the performance of small and micro organizations, with varying probability values.The result study showed a substantial and robust link (r = 0.802*, p =.0.000) between the infrastructure components and the performance of small and micro enterprises. Due to the fact that the p-value was smaller than.05. This demonstrates that there was a substantial and highly positive correlation between small and micro business performance and infrastructure.

The aforementioned shows displays a favorable and statistically significant correlation (r = 0.794* p = 000) between the performance of small and micro enterprises and the political and legal regulation. This leads one to the conclusion that there was a highly significant and favorable relationship between the performance of small and micro enterprises and the political and legal regulation.According to the result, there is a substantial and robust link (r = 0.789*, p =.000) between technical characteristics and the performance of small and micro enterprises. As a result of the p-value being.000, which was below.05. This demonstrates that there was a substantial and favorable correlation between technology-related parameters and small- and micro business performance.

According to the study, working place characteristics and the success of small and micro enterprises had a moderately and significantly positive link (r = 0.592*, p =.000). As a result of

the p-value being.000, which was below.05. This demonstrates that there was a favorable moderate and significant association between small and micro enterprises' performance and their working environment. The results of multiple regressions, result revealed that marketing have a positive and insignificant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.103) and p value .421 at 95% confidence level. Marketing has statistically insignificant impact on the firms performance of small and micro enterprises and marketing coefficient is meaningless to the small and micro enterprises performance.The results of multiple regressions, led that Finance has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.125) and p value .043 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, finance has statistically significant impact on the firms performance of small and micro enterprises.

The results of multiple regressions , revealed that Management has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.171) and p value .051 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, management has statistically significant impact on the firms performance of small and micro enterprises.The variable Infrastructure has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.313) and p value 049 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, infrastructure has statistically significant impact on the firms performance of small and micro enterprises.The variable Political and legal regulation has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.434) and p value .042 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, Political and legal regulation has statistically significant impact on the firms performance of small and micro enterprises.The variable Technology has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (1.287) and p value .000 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, Technology has statistically significant impact on the firms performance of small and micro enterprises.

The independent variables (political and legal regulation, marketing, finance, working environment, management, technological and infrastructure elements) account for 80.30% of the variance in performance. Other factors not covered in this study account for the remaining 19.7% of the variation. The infrastructure, political and legal, and technological aspects were found to be the main determinants of SMEs' success. These elements were shown to have a high positive link with SMEs' performance in Ethiopia. Infrastructure elements have the most impact on MSE performance (0.802), followed by political and legal variables (0.794). Conversely, technology considerations impacting MSE performance have a beta value of 0.789.The study found that the performance of small and micro companies and management parameters had a weak but significant association (0.270).Similarly, the study demonstrates that, with varying probability values, there is a weakly positive and significant association between marketing and financial aspects and the success of small and micro organizations. However, the study found that, with a

probability value of (r=0.592), there was a moderate and substantial association between working environment variables and the performance of small and micro organizations.

The study came to the conclusion that the following factors had a statistically significant influence on the performance of Ethiopia's small and micro enterprises: finance, management, infrastructure, political and legal regulation, technology, and working environment. These findings were based on the results of multiple regression analysis. The findings highlight the critical role of infrastructure, a stable political and legal environment, and technology adoption in driving MSE success. These areas warrant prioritized attention from policymakers and stakeholders. However, the study also reveals the importance of management skills, access to finance, and a positive working environment, even though their impact might be statistically weaker. Neglecting these factors can still hinder MSE growth and overall performance.

The limitations of this study, particularly the pre-determined set of independent variables, open doors for further exploration. Examining social and cultural influences, entrepreneurial characteristics, and access to business networks can provide a more nuanced understanding of the Ethiopian MSE landscape. Additionally, incorporating alternative performance measures beyond just profitability can capture the broader impact of MSEs on job creation, social progress, and long-term sustainability. By acknowledging these limitations and pursuing further research along the suggested avenues, stakeholders can refine their understanding and design more effective interventions. The proposed policy and intervention recommendations, targeting infrastructure development, political and legal frameworks, technology adoption, management skills development, access to finance, and a positive working environment, offer a starting point for creating a more supportive ecosystem for MSEs in Ethiopia. Investing in these areas can empower MSE owners to overcome challenges, unlock their full potential, and contribute meaningfully to the country's economic and social development. As MSEs flourish, they can generate jobs, create innovative solutions, and drive inclusive growth, propelling Ethiopia towards a brighter future.

This study does not contain all of the elements impacting the development of SMEs since it included independent variables that were only presumed to be universal to all operators operating in the Ethiopian business environment. These include the areas of politics, law, marketing, infrastructure, finance, technology, and management. The majority of SMEs are profit-focused, so the study looked at profitability as a gauge of their development. This is because the majority of operators don't keep records, and their businesses are survival-based, so they gauge their performance by meeting their household expenses and ensuring the continuing existence of their businesses.

Create a micro and small business revolving fund in each Addis Ababa woreda by assigning a fixed amount of money, allowing operators to use the funds for startup and monthly repayment. The process will be closely watched, with extension workers providing technical help as well. An alternate approach would be to offer a guarantee of work for a predetermined duration, all the while encouraging savings by establishing connections with credit and savings organizations.In Addis Ababa City, there need to be a methodical and well-run entrepreneurial training facility that offers MSE officials, extension agents, and company owners ongoing training. It evaluates current market data via extension agents, studies emerging and established business sectors, pinpoints opportunities and risks, and most importantly, talks to MSE operators about how to have a broad vision that can lead to smaller and medium-sized businesses.The FMSEs office should set up well-organized marketing sites where all producers can provide their goods for sale, with their

prices and markings tagged on them and promoted jointly. This gives MSEs' products access to the market and makes it simple to promote goods through a well-organized marketing structure. Equal access to the market is possible for all operators, and it also eliminates unjust housing rent and gives them the option to focus solely on production while their goods are offered at a common market. According to the researcher, more studies might look at other industries like retail, urban agriculture, and construction and provide particular results that could have a significant impact on the growth of the nation as a whole.

In addition to the previously mentioned strategies, creating a more supportive business environment is crucial for MSE development in Ethiopia. Here are some additional recommendations. Simplifying business registration processes can reduce administrative burdens and encourage formalization among MSEs. This could involve utilizing online registration platforms or one-stop shops for obtaining necessary licenses and permits. Implementing targeted tax breaks or tax holidays for newly established MSEs can incentivize business creation and reinvestment of profits into growth. Encouraging research and development (R&D) activities and facilitating access to technology can help MSEs improve efficiency, develop new products and services, and compete more effectively in the market. This could involve establishing innovation hubs, providing tax breaks for R&D investments, and offering training programs on digital marketing and e-commerce. Providing centralized access to relevant information on business regulations, market trends, funding opportunities, and best practices can empower MSE operators to make informed decisions. This could involve establishing online portals or collaborating with chambers of commerce to disseminate crucial business information. Public-private partnerships can facilitate collaboration between government institutions, training providers, and established businesses. This can lead to the development of more targeted training programs and mentorship opportunities for MSE owners.Joint Investment in Infrastructure Development Public-private partnerships can also play a key role in accelerating infrastructure development projects critical for MSE growth, such as improving transportation networks, electricity grids, and access to communication technology in rural areas.

Introducing entrepreneurship education into the school curriculum can foster a culture of innovation and self-employment among younger generations. This can equip students with the skills and mindset necessary to become future business leaders. Highlighting and celebrating the success stories of Ethiopian entrepreneurs can inspire and motivate aspiring business owners. This can be done through awards programs, media coverage, and mentorship initiatives. By implementing a combination of these strategies, stakeholders can create a more supportive and enabling environment for MSEs to thrive in Ethiopia. This will contribute to a flourishing entrepreneurial ecosystem, driving economic growth, job creation, and overall national development.

Building a thriving MSE ecosystem in Ethiopia requires a comprehensive and collaborative approach. The research findings provide valuable insights into the key influencing factors, but true progress necessitates addressing both the foundational elements and the practical considerations of financial empowerment, market access, skills development, supportive business environment, and a culture of entrepreneurship. Through a commitment to implementing the proposed policy and intervention strategies, stakeholders can empower Ethiopian MSEs to unlock their full potential and propel the nation towards a brighter future.

Key words: Small and micro enterprises, development mechanism, influencing factors, performance

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Acronyms and Abbreviation

FMSEDA- Federal Micro and Small Enterprises Development Agency EDRI- Ethiopian Development Research Institute

SMEDS- Micro and Small Enterprises Development Strategy ECA- Economic Commission of Africa SSI:-Small Scale Industries

FMSE:- Federal Micro and Small Enterprises Development Agency

FP- Food Processing

W&M- Wood & Metal

1. Introduction

1.1 Research Background

Micro and small enterprises have been recognized as the engine of growth in many nations (Aryeetey, 20010, Abor and Quartey 2010). Based on existing data, small and micro firms have been crucial in the growth and development of all major Asian economies. (UN, 2001). The majority of Entrepreneurs in Africa are MSME owners who face challenges in sustaining their trades and imbibing new technologies for enhanced performance and growth (OCED, 2009). Studies by Hategа (2007) and the IFC (2006) indicate the importance of SMEs in Sub-Saharan Africa where SMEs cover more than 95 percent of all firms in Sub Saharan Africa.

Due to their size, location, capital investment, and ability to create more jobs, SMEs have demonstrated in the majority of emerging nations that they are a potent catalyst for swift economic expansion. The industry is also renowned for being a tool for bringing about economic change by efficiently utilizing people's skills and talents without the need for advanced technology, large sums of money, or specialized training. In addition, they generate employment prospects for a significant portion of the populace (Commission on Legal Empowerment of the Poor, 2006).

According to Okpara & Wynn's (2007) research on small-business development, the failure rate of SMEs in developing nations is greater than that of SMEs in industrialized nations. Similarly, micro and small businesses in Ethiopia generally and Addis Ababa specifically face a range of issues that impede their growth and development despite their contribution to economic development and job opportunities. The overall employment generated by SMEs in Ethiopia rose by 22.8 percent and the number of enterprises by 142.6 percent in 2020 and 2011, respectively. Nevertheless, their share of the GDP growth rate was just 5.1% (NBE, 2020).

Small and medium-sized enterprises (SMEs) are acknowledged in Ethiopia's industrial development plan as a sector that contributes to economic growth and reduces poverty and unemployment in urban areas. According to the national plan of the Ethiopian government, the industrial policy has placed a strong emphasis on bolstering micro and small businesses. This is due to the belief that they serve as the cornerstone for the development of medium- and large-scale industries, create opportunities for the creation of jobs in cities, promote the growth of urban areas, and closely support the advancement of agricultural development (GTP I, 2010). Ethiopia realized that although SMEs may increase national GDP, they could also play a significant role in

reducing poverty, creating jobs, and developing the private sector. Only 40% of SMEs in Ethiopia are run by Addis Ababa, despite SMEs employing half of the country's labor force (Serneels, 2004).

This study's justification is that the government set up several organizations to encourage the efficient operation of MSEs.MSEs are also being promoted by NGOs. Unfortunately, due to a number of issues, this industry is not operating up to the expectations of many stakeholders. Because various issues are focused in this industry, it is imperative to do this kind of research. Therefore, the purpose of this study is to determine the factors that influence the growth of small and micro businesses in Ethiopia. This study has attempted to analyze the elements that contribute to the growth of micro and small businesses in Ethiopia and has sent potential solutions to decision-makers in business and government.

1.2 Research Purpose and significance

1.2.1 Theoretical significance

This research is expected to be significant for the following important reasons. This study was provide a deeper understanding of the influencing factors for the development of small and micro enterprises in Ethiopia. Besides, it was generate useful feedback for policymakers who are working in the sector Furthermore, the results of this investigation are used to establish a conducive atmosphere for the advancement and enhancement of a manufacturing enterprise.

1.2.2 Practical significance

The research in this article was help to determine the influencing mechanism for the development of small and micro enterprises in Ethiopia. Specifically the study identify the relationships between the performance of micro and small enterprises and some selected influencing factors for the development of small and micro enterprises. Lastly, determine the impact of influencing factors on small and microbusiness performance. The creation and maintenance of micro and small businesses in Ethiopia are therefore aided by researching the elements that influence their growth, and this will greatly benefit the national economy.

1.3 Research Review at home and abroad

According to Stephen and Wasiu (2013) the transformation of traditional industries is one of the contributions of small scale industries to the growth and development of the country. In summary, the modern sector has developed as a result of the traditional cottage or artisan industry's

modernization and structural transformation. The establishment of small-scale industries can facilitate the seamless shift from traditional to contemporary industrial sectors.

According to a study by Fabayo (1989), SMEs should receive special attention because they employ a significant number of people, which makes them essential for addressing issues with poverty and unemployment. Strong evidence, he claims, based on national and local experiences, indicates that small businesses are a major source of job prospects for a diverse range of workers, including young people, older workers, part-timers, and the unemployed on a seasonal basis.

Ibrahim (1986) conducted studies that demonstrate the importance of management abilities in determining a company's success or failure (Lichtenstein & Brush, 2001). They demonstrate how management abilities are necessary for marketing, cash flow, and accounting and how their absence is a key factor in failure. It has been observed that deficiencies in these domains affect every other aspect of the enterprise. One key impediment to the growth of Kenya's SME sector is a deficiency of managerial skills and competence.

Bhavani T.A. (2010) conducted a study that emphasizes the importance of SMEs creating high-quality jobs and refutes the notion that producing more jobs at the expense of quality is a short-term solution. The author makes the case that while SMEs may create a lot of jobs in terms of quantity, they produce relatively little in terms of quality. Modern technology would allow small businesses to produce high-quality jobs with better pay, benefits, and skill levels. Long-term, this structural change might make it less likely that high-paying jobs will be created.

Subrahmanya Bala (2011) conducted a study to investigate how globalization affects small businesses' capacity for export. According to the report, the percentage of SMEs' exports that make up all exports grew during the protection period but essentially stalled throughout the liberalization phase. The association between total export and SSI export has, however, gotten stronger during the liberalization period, as seen by the correlation coefficient in liberalization being greater than in protection. This might be the result of the sharp shift in the traditional to non-traditional export items that make up SSI exports, as well as the increase in their share of exports overall through export houses, trading houses, and subcontracting relationships with major corporations. Therefore, it is important to highlight the existing strategy of boosting competitiveness by introducing better finance, marketing, and technological practices.

The amount to be borrowed, along with the absence of lending policies, poor record keeping, high rates of illiteracy, poverty, and disease incidence, as well as the lack of sound advice, insufficient information, and poor decision-making, are among the most difficult problems

confronting Nigerian SMEs, according to a study by Akampumuza (2007). This clarifies why it is dangerous for small enterprises to obtain a loan from the formal credit market.

According to Thibault et al. (2002), when examining the performance of small-scale business owners, both personal and business factors—such as the number of full-time employees, age of the company, operating location, business structure, and amount of financing—might be taken into consideration.

In order to achieve the organizational goal, an entrepreneur in a small or microbusiness must overcome a number of obstacles, according to a 1999 study by Owualah. These obstacles include limited capital and restricted access to financial services due to the terms and conditions of financial institutions (lack of collateral). The owner's personal habits, bad financial management, a lack of training, inadequate infrastructure, problems with marketing, hiring, and an overreliance on connections are a few of the reasons. However, Njoku's (2002) research indicates that inconsistent government laws are a major problem for small and medium-sized firms.

1.4 Main research contents and innovations

1.4.1 Main research content

The reader is introduced to the investigation of the Mechanisms Influencing Ethiopia's Small and Micro Enterprise Development in this study. The research introduction, which comprises background information, the objective and value of the study, and a review of the thesis's domestic and international research, is condensed in the first chapter. Additionally, the study's creativity and primary research material are covered. Concept definitions and the theoretical underpinnings are covered in Chapter 2.The approach that the researcher will employ to gather data and analyze it in order to meet the study's objectives is covered in Chapter 3. It provides an overview of the population, sample size and methodology, study design, data sources, data gathering tools, and data analysis techniques. In Chapter 4, "Empirical Analysis," multiple regression is used, descriptive statistics are presented, and the Pearson Product Moment Correlation Coefficient is calculated. Chapter 5 concluded with a summary of the findings, a recommendation, and a conclusion.

1.4.2 Innovation

The study concluded that the main barriers to the establishment and growth of MSEs' commercial performance were political and legal considerations, regulatory compliance, formalization costs, and regulatory compliance. However, the majority of businesses did not own

their own workspace; instead, they rented a home and paid a high rent; ongoing rent increases pushed these businesses to move frequently, which in turn caused unstable working conditions.

The primary influencing variables for the performance of firms were found to be the high collateral requirements set by lending institutions, the lack of operating capital, the high interest rates charged by lending institutions, and the intricate loan application processes.

While all of the following—polito-legal, infrastructure, working conditions, technology, marketing, finance, and management—have an influence on MSE success, not all of these aspects necessarily have an equal one. It is now evident that political-legal, infrastructure, working conditions, technology, finance, and management are the influencing elements that influenced the success of MSEs in the chosen region, whereas marketing considerations had no discernible impact on MSE performance.

By designating personnel with the appropriate expertise in the relevant industry and by regularly monitoring the programs' execution, the government raises the caliber and accessibility of the services provided by the supporting institutions. Additionally, SMEs do in-depth research on the suitability of the workspaces allocated to various business types, as well as the qualifications and characteristics of the personnel assigned to each type of business. To help SMEs, medium-sized and big firms need to show more social awareness and commitment. Depending on the conditions in the operational environment and the resources available, different issues with varying perceived impacts on SMEs might be handled in different ways at different times. Therefore, it is important to do ongoing, in-depth study on every industry to pinpoint the main issues.

2. Research basis

2.1 Definition of Concepts

According to Kayanula and Quartey (2000), there isn't a single, broadly accepted definition of what constitutes a small business. This is the case because different institutions and nations have different standards and methods for classifying businesses as micro and tiny, largely based on the degree of development of each nation. Definitions also shift over time, even within the same nation, as a result of shifting costs, technological advancements, or other factors (Emma I. et al., 2009:1-9). Businesses vary in terms of employment, sales, and capitalization. Therefore, when applying definitions that use size metrics (e.g., staff count, turnover, profitability, net worth, etc.) to one industry, all businesses may be categorized as tiny; but, using the same size definition to another industry may have a different outcome. Several of the phrases' primary destinations.

An enterprise: this might be characterized as a business venture that produces and/or distributes goods and services for profit, going above and beyond basic domestic consumption.

Cooperatives: association of at least 10 individuals, who are grouped, organized for the same organizational objectives (from the same area).

Formal enterprises: are described as businesses that are primarily involved in producing goods and services for the market, but they are also legally registered with the appropriate government bodies to conduct business and, as a result, hold operating licenses..

Growth oriented Micro and Small Enterprises (MSEs): are MSEs engaged in production of goods and services in the sectors given priorities in the economic development of the country in most policy and strategy documents of the government (e.g., MoFED, GTP, 2010).

Informal enterprise: there is consensus that they are small scale, and operate

Outside registration,licence and tax frameworks.

Micro Enterprise: where the total asset value is ≤ 100,000 ETB for the industrial sector and ≤ 50,000 ETB for the service sector, and the number of employees (including the owner or family) does not exceed five (MSEDS, 2011).

Small Enterprise: denotes a company that does business and has a capital of no more than birr 1.5 million, with 6–30 employees for industries and 500,000 for services other than high technology and consulting services.

2.2 Theoretical Basis

2.2.1 Definition of SMEs by European Commission

Three criteria are used by the European Commission to classify an organization as micro or small sized. According to Kushinir et al. (2010), these are the annual balance statement, staff headcount, and annual turnover.

Micro enterprises are those that have less than ten employees and a yearly balance sheet total or turnover of less than two million euros. According to Kushinir et al. (2010), small businesses are those that have less than 50 employees and an annual turnover or balance sheet total of less than 10 million euros.

It is necessary to note that while it is compulsory to respect the staff headcount thresholds, a SMEs may choose to meet either the turnover or balance sheet ceiling. It does not need to satisfy both and may exceed one of them without losing its status. The new definition developed in 2005 offers this choice since, by their nature, enterprises in the trade and distribution sectors have higher turnover figures than those in manufacturing. Providing an option between this criterion and the balance sheet total, which reflects the overall wealth of an enterprise, ensures that SMEs engaged in different types of economic activities are treated fairly (Kushnir et al, 2010).

2.2.2. Definition of SMEs in India

According to the Micro, Small and Medium Enterprises (MSME) Development Act, 2006, micro and small businesses in India are characterized by the amount of money they invest in equipment for service-oriented businesses and plant and machinery for manufacturing-oriented businesses. A micro enterprise in India is defined as one where the investment in plant and machinery does not exceed twenty-five lakh rupees, as per the MSME Development Act of 2006. When a company invests more than twenty-five lakh rupees but less than five crore rupees on plant and machinery, it is considered small. Regarding businesses that offer or render services, they can be classified as:

(a) micro enterprises if their equipment investment is under ten lakh rupees.

(b) An equipment investment of more than ten lakh rupees but less than two crore rupees is considered a small enterprise.

The table below shows the most recent investment ceilings for businesses classed as micro and small businesses, as reported by the MSME.

Table 2. 1 Classification of SMEs in India

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Rs. 2.5 million/ Rs. 25 lakh (US$ 50,000)	Rs.1,000,000/Rs. 10 lakh (US$ 2,000)
Small	Rs. 50 million/ Rs. 5 crore (US$ 1 million)	Rs. 20 million/ Rs. 2 crore (US$ 400,000)

Source: The Micro, Small and Medium Enterprises Development Act, 2006

2.2.3. Definition of SMEs in Kenya

In Kenya, the Micro, Small and Medium Enterprises (MSME) bill 2009 has used 2 criteria to define Small and Micro Enterprises (SMEs) in general: Number of people/employees and the company's annual turnover. For enterprises in the manufacturing sector, the definition takes into account the investment in plant and machinery as well as the registered capital. This SME definition is therefore as follows

Table 2. 2 Classification of SMEs in Kenya

Classification	No of Employees/People	Annual Turnover Limit	Investment in Plant and Machinery+ Registered Capital	Equipment Investment + Registered Capital
Micro	Less than 10 people	Not exceeding Ksh. 500,000	Not exceeding Ksh. 10M	Not exceeding Ksh. 5M
Small	More than 10 but less than 50	Between Ksh. 500,000 to Ksh. 5M	More than 10M but less than 50M	More than 5M butless than 20M

Source: Kenya Association of Manufacturers, 2009

2.2.4 Definition of SMEs in Ethiopia

One of two groups comprises micro and small businesses: the industrial or service industries. Micro companies are found in the manufacturing, construction, and mining industries. These are defined as businesses that have five workers, including the owner, and/or total assets of no more than 100,000 Birr.Micro firms are those with five employees, including the proprietor, and no more than Birr 50,000 in total assets. These businesses provide ICT and maintenance services and are located in the retail, transportation, hotel, and tourist industries.Small businesses are those with six to thirty workers and/or paid-up capital of up to Birr 1.5 million, but not more than Birr 100,000, in the mining, construction, and manufacturing sectors.Small businesses are those that

employ six to thirty people, have paid up capital of no more than Birr 500,000, and operate in the retail, transportation, hotel, tourist, or maintenance sectors.As previously said, total assets are the main factor to consider when there is labor uncertainty (MSEDS strategy, 2011).

Table 2. 3 The improved definition of MSEs in Ethiopia

Level of enterprise	Sector	Human Power	
Micro Enterprise	Industry	≤ 5	≤ Birr 100,000 ($ 5000)
	Service	≤ 5	≤Birr 50000 ($ 2500)
Small Enterprise	Industry	6-30	≤ Birr 1.5 mil($75000)
	Servise	6-30	≤Birr500000($ 25000)

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

2.2.4.1 Analysis of the status quo of small and micro enterprises

After the Ethiopian government's sweeping economic reforms geared at improving industrial production among many other objectives, the gains have not been adequately reflected on SMEs as mentioned in earlier sections of this paper. In their current state, SMEs account for the main share of non-agricultural employment in Ethiopia, yet due to the reasons articulated in previous sections, its full potential in reducing poverty has not been fully tapped.

Largely due to the lax in the productivity of mechanisms of SMEs they are incapacitated in reducing poverty in real terms (Aftab and Rahim, 1999). Chief among the reasons for this trend as raised by Aftab and Rahim (1999) is the level of enumeration for employees of SMEs. The income generated from their activities is very meager in gross and real terms, incapable of breaking through the poverty cascade. This is true for Ethiopia cases that majority of skilled and unskilled workers are employed in this lower productive sector. As a result the sector is not playing its role to alleviate the level of poverty through ensuring higher level of income to the poor.

It further smacks of ineptitude given that micro, small, and medium enterprises are the largest businesses in Ethiopia which accounts over 98% of all business firms and out of this figure the small firms represent around 65% of all businesses in the country. (Aregash A.2005). This translates into an enormous potential to contribute to economic development and improve the

living standard of the people with a corresponding potential to grow faster than larger contributions.

Unfortunately the industrial sectors including SMEs did not grow as fast as service and agricultural sector; as a result it's potential to contribute for economic development is near to the ground and is not even partially utilized. In addition, currently the service sector contribution is surpassing the agricultural sector. This is because of that the industrial sector which provides advanced technology to agricultural sector is not developed in first place. Especially SMEs that can be used as a means for the development of large-scale firms did not get a favorable business environment. Eshetu and Mammo (2009, 13) opine in a study targeting SMEs that out of a total sample of MSMEs in their study, 74% of the respondents replied that the legal, regulatory, and development strategy problems are the main obstacles for their growth. Therefore, as long as this sector remains under-developed the quest to wrestle down poverty will remain illusory.

2.2.4.2 Factors affecting the performance of Small and micro enterprises

As per the findings of the Commission on Legal Empowerment of the Poor (2006), the majority of MSEs in Ethiopia encounter significant obstacles during their establishment and operation phases. Lack of funding, access to real estate, infrastructure, management and entrepreneurial training, knowledge of business prospects, and social and cultural factors—particularly those associated with a weak entrepreneurial culture and rampant corruption—are a few of these limitations.

Management factors:-Inexperienced management is the primary cause of failure. Managers of insolvent companies lack the expertise, understanding, and foresight necessary to operate their companies. It should come as no surprise when the ineffective management of owner-managers is identified as one of the primary causes of small business failure (Zeleke 2009).

Effective management has an impact on all facets of a company and is frequently cited as the primary cause of small business failure. The overall favorable organizational performance can be attributed to the fact that firm founders' management conceptions and talents are valued far more highly than their technical expertise and production-related concerns (Lin and Yeh-Yun 2010).

Marketing Factors:- The research conducted by Lussier (1995) and Lussier and Pfeifer (2001) highlights the significance of business owners' marketing abilities as a contributing factor to the prosperity and enhanced efficiency of small enterprises. Marketing competencies, such as

prospect identification, effective corporate positioning, customer service, cost-effective advertising, and idea generation, are critical elements that micro and small businesses must have in order to succeed in the long run and survive.Temtime and Pansiri (2004) also noted that marketing activities like product marketing, market research, demand forecasting, and so forth have a greater impact on the performance of small businesses in Botswana as part of their study of Small business Critical Success/Failure Factors in Developing Economies. Customer relationships were listed in this study as one of the key success elements for small business owners. This study report makes clear how crucial it is for business owners to have strong marketing abilities in order to succeed in their cutthroat industry.

Working place factors:- Rolfe et al. (2010) found that small companies' ability to generate revenue and sales is largely dependent on their location. For this reason, owners of businesses in formal residential zones stand to gain from their establishments. This conclusion makes sense given developed urban regions' higher demand densities and per capita incomes. The density of demand also increases the profitability of rail stations and taxi ranks. These areas are scarce, making them a source of uncopyable and unreplicable competitive advantage. According to Mbonyane & Ladzani (2011), small firms choose a location without first carefully considering its appropriateness.The same researcher discovered that the majority of microenterprises fail because the government does not offer enough area for them to operate in and because small company owners make a number of mistakes with their firms. Olawale & Garwe (2010) discovered that micro and small business performance is negatively impacted by inadequate location.

Technology:-Rather of actively participating in the development of technology, MSEs are seen as the only beneficiaries of breakthroughs and enhancements in the right technology paradigm. It is believed that MSEs may use technology as a resource to boost factor productivity and reduce unit costs. Additionally, it highlights how MSEs operating in low-income consumer markets, labor markets with a vast and unskilled labor pool, and low-quality inputs must gradually pick and fit existing technologies to their production and market environments. However, because of its limited impact and incapacity to bridge the gap between MSEs and bigger firms, the appropriate technical paradigm is disputed. Since most new technologies are obtained through independent workshops, the technical capability paradigm was developed in response to the poor results of the appropriate technology paradigm with the aim of enhancing MSEs' ability to use these technologies. These technologies require institutional, technical, and engineering capacities to adapt to different raw resources, climates, and market needs.

Infrastructure:- Micro and small businesses are included in the industrial and service sectors. Micro firms fall under the manufacturing, construction, and mining industry sectors and are characterized as companies with five employees, including the owner, and total assets of no more than Birr 100,000.Micro businesses in the retail, transit, lodging, and tourism sectors provide ICT and maintenance services. These companies employ five people, including the owner, and have no more than Birr 50,000 in total asset worth.Small firms are those in the manufacturing, construction, and mining industries that have six to thirty employees and/or paid up capital of Birr 100,000 and not more than Birr 1.5 million.Small enterprises are defined as those that employ six to thirty people, have paid-up capital of little more than Birr 500,000, or operate with a total asset of Birr 50,001 or less. The service industry comprises retail, transportation, hotels, tourism, and maintenance services.As previously stated, total assets serve as the primary benchmark in cases when there is confusion regarding the relationship between personnel and total assets (MSEDS strategy, 2011).

Financial factors:- The main barriers to doing business, especially in the informal sector, are a lack of sufficient money, loans, and an inefficient financial system that makes it difficult for entrepreneurs to obtain financial resources. The majority of micro and small businesses are extremely dangerous endeavors with exorbitant administrative expenses, no prior financial institution experience, and no bank credit worthiness history. Most MSEs are unable to obtain the necessary collateral since most banking institutions are hesitant to lend money to or credit small businesses. Lack of funding will hinder the development of new businesses as well as the expansion and survival of current ones.

Mulu's (2007) findings also suggest that banks and MFIs do not appear to be in favor of MSE growth. As a result, 85% of the respondents said they had never been given credit by these official sources. However, the emergence of alternative unofficial sources of funding has a favorable and substantial impact on growth. This demonstrates that MSEs find informal networks more attractive when there isn't a formal source of credit. Therefore, businesses with stronger networks to obtain loans from unofficial sources—such as friends, family, and suppliers—are better able to relax credit restrictions and expand more quickly.A major success factor for MSEs, according to numerous research (Rolfe et al., 2010; Mbonyane & Ladzani, 2011), is a lack of funding.

Enabling business environment:- Many studies emphasize enabling business environment as major factors determining small enterprise success in developing countries (e.g. Sethuraman,1997;

De Soto, 2001). The institutional, regulatory and legal frameworks are in these days the three important pillars shaping business environments (ILO, 2000). According to the ILO (2000) report, institutional frameworks determine effectiveness and efficiency of key business infrastructures such as business development support (BDS), microfinance institutions, marketing and research and development. A good institutional framework enables

access of these services to the needy with minimum cost.Poor institutions in general, lead to higher transaction costs. ILO (2002) indicates signs of poor/good institutions based on several checklists: the number of steps/ procedures to obtain a business license and the costs paid for it, enforcement of contracts and access to legal redress,ease of access to information about markets, access to credit facilities,ease of acquisition to land titles/ lease and tax costs to a business. In many developing countries, lack of enabling business environments has hampered the development of the MSE sector and kept entrepreneurs mired (Sethuraman, 1997). Therefore according to Sethuraman, poor enabling environments are growth barriers and hence negatively influence success.More recently, concepts such as inter-firm relations and flexible specialization, clustering and networking are being advocated in many parts of developing countries to boost the development of small and microenterprises (Van Dijk, 1996). Many East Asian economies have implemented and succeeded through this strategy. The idea is, clustering helps firms to reduce costs that they cannot shoulder if they stand alone. Exchange of information and technology diffusion can also take place within these clusters. This helps firms to specialize in technologies with which they are good at. The advantage is that every firm benefits from the formed mutual interactions.

2.2.4.3 SMEs Mechanism and Strategy in Ethiopia

To create a conducting environment to advance MSE, financial approaches, procedures, and legal and administrative structures are necessary. (Ageba & Amha, 2006) Has argued the purposeful effort to advance MSE in a moderately ongoing wonder in Ethiopia. The environment was not favorable to the private sector during the Derg regime because of its ideology, structures, and guidelines. Largely, the valid prerequisites for obtaining permission were regulatory during the Derg system, and the investment of MSE's administrators diminished in consequence. The strong unfamiliar trade regulation and heavy import and lease hunt for the business network (Venkataraman & Gofie, 2015). The 2002 National MSE's approach makes sense of the numerous

policies, fundamental and foundation-related issues that have pushed the MSE region's part into public economy and engagement.

Therefore, it focuses on creating legitimate, institutional, and other strong conditions to improve MSEs that empower them.(Habtewold, 2019)concludes that credit (loan) access is given, training skills are provided (skills development), and soon. Besides, policymakers and service provider organizations need to recognize and revise the reach, strength, and quality of support and its linkages to reduce the impact of factors on the growth of MSE's.

3. Research Hypothesis & Methodology

Building knowledge often involves a methodical process of confirming or refining existing ideas. This research project followed a similar approach. After a comprehensive review of relevant literature and the establishment of a theoretical framework, the next step is to explain how this framework was tested. This chapter aims to provide a clear understanding of the methods used to examine the established theory regarding the factors influencing enterprise success, specifically in the context of Ethiopian Micro and Small Enterprises (MSEs).

3.1.Theoretical analysis and research hypotheses

To investigate the influencing Mechanism of the Development of Small and Micro Enterprises in Ethiopia; this study proposed the following hypotheses:

(1) Marketing effect

According to Brush et al., (2009) marketing is another obstacle for companies to grow since many businesses confront challenges establishing effective distribution channels, communicating product features, pricing products, and services in an attractive way, implementing sales and marketing efforts to win and retain customers and undertaking constant product development in order to sustain sales. SMEs generally do not have the knowledge or information about other markets, thus, this limits their ability to market their products to larger groups of customers and expand their business.

H_1: Marketing has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

(2) Financial effect

According to Guffey, a business plan is essential when you start your own business. Unless you can count on the bank of your relatives, you will need financial backing such as a bank loan or venture capital supplied by investors. A business plan is critical for securing financial support (Guffey, 2008). The main barriers to doing business, especially in the informal sector, are a lack of sufficient money, loans, and an inefficient financial system that makes it difficult for entrepreneurs to get financial resources.

H_2: Finance has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

(3) Management effect

Effective management has an impact on all facets of a company and is frequently cited as the primary cause of small business failure. The overall favorable organizational performance may be attributed to the fact that firm founders' management conceptions and talents are valued far more highly than their technical expertise and production-related concerns (Lin and Yeh-Yun 2010).

H_3: Management has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

(4) Infrastructure effect

Although not directly related, inadequate infrastructure (road, banking, energy, telecommunication, and other services) is a major barrier to the successful functioning of private investment, according to the Commission on Legal Empowerment of the Poor (2006). Rahel & Paul (2010) also note that lack of access to water and ignorance about the benefits of phones and media has a negative or negligible impact on the expansion of businesses, even in cases where infrastructure access is not cited as a major issue. The cost of operation can be positively impacted by well-designed infrastructure.

H_4: Infrastructure has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

(5) Political and legal regulation

The findings of Eshetu and Mammo (2009) also indicate that legal and regulatory problems are major obstacles to efficient operation of micro and small enterprises. According to this study, bureaucratic registration requirements for licensing, high policy control, over regulation, corruption, high tariffs and unfair tax were found as major policy-related constraints that adversely affect the sector. Free market policy has also exposed them to international competition, and this had a significant negative impact on their performance.

H_5: Political and legal regulation has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

(6) Technology effect

Perhaps the most significant source of change affecting many organizations today is the increasing globalization of organizations and management. This occurs because firms to control costs, especially to reduce labor costs. Of course, another reason why firms are becoming more global is the response to competition. (Griffin & Moorhead 2009) SMEs that are internationally active are generally growing faster than their domestic equivalents. This gives pressure on SMEs to develop environmental strategies to remain competitive. The World Bank (2009) claims that investments in technology are required in order to build up existing capacity and to improve the quality and productivity of production which will generate higher value-added products that will improve the competitiveness for firms.

H_6: Technology has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

(7) Working place

According to Mbonyane & Ladzani (2011), small firms choose a location without first carefully considering its suitability. The same researcher discovered that the majority of microenterprises fail because the government does not offer enough area for them to operate in and because small business owners make a number of mistakes with their firms. Olawale & Garwe (2010) discovered that micro and small business performance is negatively impacted by inadequate location.

H_7: Working place has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

3.2 Research design

The researcher used both explanatory and descriptive methods to analyze, interpret and finally recommend some solutions on the influencing Mechanism of the Development of Small and Micro Enterprises in Ethiopia. The descriptive research is a study designed to describe the characteristics of a phenomena and it was used to collect data concerning a certain phenomenon in respect to the conditions of Mechanism of the Development of Small and Micro Enterprises. The analytical research design was used to analyze the effect influencing Mechanism of the Development on micro and small scale enterprise and to explain the relationship between performance of micro and small scale enterprise and some selected influencing Mechanism of the Development.

3.3 Research Approach

The research approach used in the study was mixed approach. A mixed research approach (the use of both qualitative and quantitative) was working since it permits the researcher to get adequate information for a better understanding of the topic under investigation. Since, the use of both qualitative and quantitative methods is to make sure that biases inherent in either of the approaches were counterbalanced by the strength of the other.

The researcher employed a quantitative approach to determine how the development mechanism affected the performance of micro and small businesses. Multiple regression analysis and correlation were used to produce the numerical data. Ethiopian micro and small businesses are evaluated using a qualitative methodology. Consequently, triangulating—that is, using two or more data sources and procedures for analysis in a single study and then evaluating their congruence—is made possible by the utilization of mixed research methods.

3.4 Data Analysis Methods

The data was analyzed using both inferential and descriptive statistics. Descriptive statistics were used to describe the many factors affecting MSE performance. Descriptive and inferential statistical analyses were performed on the questionnaire data from this sample. The mean and standard deviation provided an explanation for the descriptive statistics, even if multiple regression and the Pearson Product Moment Correlation Coefficient were employed.A five-point Likert scale questionnaire was utilized to gather information from 106 small and micro firms.

3.5 Influence mechanism regression equation construction

Linear regression is the process of projecting or estimating a value for a dependent variable based on the values of one or more independent variables. Similar to correlations, statistical regression examines the relationship or link between variables. Unlike correlations, regression's primary goal is prediction. In this study, multiple regression analysis was employed. Multiple regression analysis takes into account the interrelationships between all of the variables. Seeing that several predictors are concurrently regressed against the criterion variable was made easier with the use of multiple regression analysis. The correlations between the predictor scores are taken into account by this strategy as well. This method may be used to determine if the variation shown in the dependent variable is explained by the independent factors.

The two primary sets of factors that make up the equation of regressions for this study are the dependent variable (the performance of small and micro organizations) and the independent

variables (politico-legal, working premises, technology, infrastructure, marketing, finance, and management). The main objective of this study's use of regression analysis was to enhance the study's capacity to characterize, understand, and forecast the variables that were supplied. The following is the regression equation that this inquiry produced.

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_6 x_6 + \beta_7 x_7 + E$$

Where:

Y = is the response or dependent variable- performance of SMEs

X_1= Marketing, X_2= Finance, X_3= Management, X_4= Infrastructure, X_5=Political and legal regulation, X_6= Technology and X_7= Working place are the explanatory variables.β_0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.β_1, β_2, β_3, β_4, β_5, β_6, and β_7 show the coefficients associated with each independent variable, each of which indicates the amount that a change of one unit in the associated independent variables affects the mean value of Y. Thus, the relationships indicated below were explained using this statistical technique. Regress performance (as the dependent variable) on the selected linear combination of the independent factors using multiple regressions.

3.6 Regression Model Assumptions

The model adequacy checking is a tool used to check whether the major standard assumption of OLS (multiple linear regressions model) is satisfied or not. It sometimes called as Post estimation or diagnostic Test. This can be checked through the following way:

(1) Variance inflation factor (VIF) applied to multicollinearity detection. To determine whether one predictor has a strong linear relationship with the other predictors, one might utilize the variance inflation factor (VIF). It quantifies the amount that a correlated or multilinear set of predictors raises the variance of an estimated regression coefficient. If there is no relationship, VIF=1, else VIF >1. Severe Multicollinearity is frequently indicated by the greatest VIF of all the predictors.

(2) Breusch-Pagan Test is intended to identify heteroscedasticity in any linear form. Breusch-Pagan examines the alternative, which holds that the error variances are a multiplicative function of one or more factors, against the null hypothesis, which holds that the error variances are all equal.

(3) Shapiro-Wilk W: Many statistical procedures work best when applied to variables that follow normal distributions. Hypothesis :(Ho: the sample at hand came from a normally distributed population vs H1: not Ho). Shapiro-Wilk W test is used to test the Normality assumption.

(4) Linearity Assumption: Another assumption is the regression model should be expressed in a linear way which means that we can write the regression model as $y = \alpha + \beta 1\ \chi\ 1 + \ldots. + \beta n\ \chi\ n + \varepsilon$ (Mooi and Sarstedt, 2011). Garson (2012) also suggested that a Partial regression and partial residual plots estimates (fitted values) of the dependent variable show a random pattern when nonlinearity is absent.

3.7 Data Collection Methods

For the inquiry, the researcher employed both primary and secondary data sources. To collect primary data, questionnaires and key informant interviews were conducted with senior municipal and Micro and Small Enterprises Bureau administrators. Key informant interviews included heads of enterprise and upper management. The researcher used this technique because semi-structured interviews enable the researcher to urge or prod the respondent to disclose more details. It also gives the researcher the freedom to ask the subject to elaborate or to pursue a new line of inquiry that they open up. Both closed-ended and open-ended questionnaires were used to collect data from companies in the sector. The aim of the survey was to enable an individualized subset of participants to openly communicate their feelings. Secondary data was gathered from a range of sources, including journals, books, websites, electronic papers, and policy documents.

3.8. Target Population

The population of this study are MSEs in Addis Ababa. The population of this study does not include all MSES in Ethiopia due to limitation of resources such as time and money. The researcher judgmentally selected Addis Ababa as main study area for the research by considering time, financial resource and different infrastructure that used in research. The target populations of the study were composed of business owners who are involved in micro and small enterprise at Addis Ababa. According to the data taken from Addis Ababa, the total populations who are involved in micro and small enterprise are 850 (Addis Ababa Micro and Small Enterprises Bureau)

3.9 Sampling Technique

The study used the simple random sampling and Purposive sampling method technique as appropriate method. When consider the nature of the distribution of MSEs Addis Ababa city there are four types of MSEs (wood and metal works, textile food preparation and processing and Leather) which are given primary priorities by the government. So, by using the simple random sampling technique 106 respondents are selected from wood and metal works, textile food preparation and processing and Leather work firms. In addition 11 managers that work in Micro and Small Enterprises Bureau are selected for interview. The reason for using this techniques is the fact that the purpose of the study is to identify the practices industry extension services and challenges on performance of Micro and small enterprise. In addition to this the purposive sampling technique was help the researcher in use his research skill and knowledge in deciding respondents those are more related to the purpose of the study.

3.10 Source of Data

In an explanatory study design, both qualitative and quantitative research methodologies were used to investigate the variables influencing the expansion of small and micro firms in Ethiopia. Thus, the researcher employed both primary and secondary data sources to obtain accurate and reliable information. Primary data was obtained from MSE operators, the Addis Ababa Micro and Small Enterprises Bureau, and upper management via questionnaires and interviews. secondary data sources are obtained from such sources as related literature reviews by different owners and data collected from pertinent institution as Federal micro and small enterprise development Agency, Central statistical Agency.

3.11 Validity and Reliability

One of the most popular methods for gathering data, particularly in research, is the questionnaire. The primary goal of a research questionnaire is to gather pertinent data in the most legitimate and dependable way possible. Thus, a key component of research technique known as validity and reliability is the consistency and correctness of the survey or questionnaire. The validity and reliability of a questionnaire or survey are examined and described in this paper, along with a discussion of several validity and reliability test types.

3.11.1 Validity

Validity explains how well the collected data covers the actual area of investigation (Ghauri and Gronhaug, 2005). The survey is predictively valid if the test accurately predicts what it is

supposed to predict. It can also refer to when scores from the predictor measure are taken first and then the criterion data is collected later.in other words, the ability of one assessment tool to predict future performance either in some activity or on another assessment of the same construct (Hamed Taherdoost, 2016).

In view of the above, researcher adopted a five point Likert scale questioner and took a pilot test since this type of data gathering instrument helps to collect data with maximal validity and reliability. Besides, the research has looked up different literatures to construct concepts and theories.

3.11.2 Reliability

According to Marczyk et al (2005), Reliability refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error. Accordingly, reliability is usually expressed as a correlation coefficient, which is a statistical analysis that tells us something about the relationship between two sets of scores or variables (Marczyk et al., 2005).

So to increase the reliability and to minimize the measurement error, the researcher adopted a standardized questionnaire in a consistent manner across all of the participants took part in the study. Second, the researcher disposed the participants to understand clearly the instructions and content of the research instrument when they faced difficulty in understanding the purpose or directions of the measure because they might not answer in an accurate fashion, which has the potential to bias the data (Marczyk et al., 2005). Third, every effort has been made to ensure that data are recorded, compiled, and analyzed accurately. Also, the researcher used SPSS software to make the data entry, analyzation and reliability testing easy and keeping accuracy.

Finally, the reliability of the questionnaire experienced academics will be used to review the questions and categories listed in the original questionnaire and interview. Moreover, the questionnaires were distributed to randomly selected administrative staffs and teachers in the study area.

Cronbach's alpha, a frequently used indicator of a psychometric test's internal consistency or reliability for a sample of partidependability was acknowledged.Cronbach's alpha, a frequently

used indicator of the internal consistency or reliability of a psychometric test result for a sample of examinees, was employed to evaluate the reliability of this study (Creswell 2009). The recognized upper bound for Cronbach's α is 0.70 (ibid). The dependability of the data was accepted when the Cronbach's α for all variables was more than 0.70.

3.12 Ethical Consideration

It was the researcher's duty to take ethical considerations into account when obtaining consent, abstaining from fraud, upholding secrecy, honoring privacy, and shielding each respondent's identity. The researcher took a long time to explain the goals and purpose of the study to participants prior to data collection. Additionally, every effort was taken to ensure the anonymity of each respondent, which helped to foster trust with study participants during the semi-structured interviews and questionnaire data collection phases. Furthermore, the ethical considerations surrounding the management of cooperatives were taken into consideration when designing the data collection methods.

4.Empirical Research

In this chapter, both descriptive and inferential data analysis and procedures are presented.The findings of the descriptive analyses are presented first, followed by the inferential (statistical) analysis, to make the empirical studies easier to complete.

4.1 Data Processing

In this study, the questionnaire was dispatched to the 106 enterprises and all enterprises responded to the researcher efficiently. Thus, the responses from 106 samples were used to analyze and interpret the data. The collected data was manually edited, encoded, categorized, and tabulated during the data processing process. Data cleaning was done to ensure that all questions were answered consistently and accurately, as well as to look for oddities, mistakes, and omissions in responses. In order to condense responses into a small number of classes or categories, numerical values are assigned. Data that shared similar attributes were grouped together, dividing the entered data into several groupings. transformation of the processed data using descriptive and inferential (statistical) analysis to search for relationships and patterns between and/or among data categories. The data gathered from primary sources was examined using the STATA program.

The influencing Mechanism of the Development of Small and Micro Enterprises in Ethiopia is measured using multiple regression approaches. To examine the statistically significant influence mechanism on the performance of Ethiopia's small and micro enterprises, multiple regression analysis is utilized.

4.2 Respondents statistics

On this part we see the demographic details of the respondents, including age, gender, degree of education, and job experience in the business, are provided in this section.

4.2.1 Gender of Respondents

The study covers a total of 106 respondents. Out of which 61 were males and 45 were females. It indicates that male respondents have a highest proportion (57.55%) as far as gender is concerned and female respondents cover 42.45 % of the total respondents of the survey. Thus, from the table below it can be concluded that the research study composed almost both gender groups even though male the respondents exhibit a slightly higher percentage margin.

Table 4. 1 Tabulation of Gender

Gender	Freq.	Percent	Cum.
male	61	57.55	57.55
Female	45	42.45	100.00
Total	106	100.00	

4.2.2 Age of Respondents

The study covers a total of 106 respondents. Out of which 37.74% were under between 25-35 ages, similarly 37.74% were under 35-45 year and 24.53% were under below 25 year. It indicates that major firms under age under between 25-35 and 35-45 year work in Micro and small enterprise in Ethiopia.

Table 4. 2 Tabulation of age

Age	Freq.	Percent	Cum.
<25 year	26	24.53	24.53
25-35 year	40	37.74	62.26
35-45 year	40	37.74	100.00
Total	106	100.00	

4.2.3 Educational level of Respondents

When we see respondents' educational level composition, respondents with above degree holder are 31.13% and 31.13% respondents are degree holder finally 37.74% respondents were Diploma holders. Thus, the data above indicates that majority of the respondents were completed Diploma holders followed by degree and diploma holder. Hence, generally speaking it might be implied that from the data the respondents have knowledge about business because this respondents have above high school education level.

Table 4. 3 Tabulation of education

Academic qualification	Freq.	Percent	Cum.
Above degree	33	31.13	31.13
Bachelor	33	31.13	62.26
Diploma	40	37.74	100.00
Total	106	100.00	

4.2.4 Years of experience

Experiences of most respondents was between 2-5 years with respondents (39.62%), while respondents (36.79%) have stayed at the business for between 0-2 years and (23.58%) have stayed at the business for above 5 years. This indicates that most of the respondents selected have good experience regarding the company and their response can be` considered genuine.

Table 4. 4 Tabulation of working_experience

working_experience	Freq.	Percent	Cum.
0-2 year	39	36.79	36.79
2-5 year	42	39.62	76.42
>5 year	25	23.58	100.00
Total	106	100.00	

4.3 Nature of Business profile

4.3.1 Reason to start the business

The results in Table below indicate that, total of the respondents (53.77%) join to micro and small enterprises due to lack of other alternatives work. This was followed by expectation of good government support (28.30%) and performance (17.92%), respectively. The result shows MSEs create job for unemployment.

Table 4. 5 Tabulation of `motivation factor

Motivation factors for business	Freq.	Percent	Cum.
Profitability	19	17.92	17.92
Lack of alternative employment	57	53.77	71.70
Government support	30	28.30	100.00
Total	106	100.00	

4.3.2 Nature Business types

This table below shows the percentage of each category business sector. Accordingly, enterpriser engaged in garment and textile were 24.53% and enterpriser engaged in food processing (20.75%), metal and wood works (31.13%), and leather (23.58%). This implies from total enterpriser majority were engaged in wood and metal works in Addis Ababa city.

Table 4.6 Tabulation of Business Sector

Business Sector	Freq.	Percent	Cum.
wood and metal works	33	31.13	31.13
textile an garment	26	24.53	55.66
food preparation	22	20.75	76.42
Leather	25	23.58	100.00
Total	106	100.00	

4.3.3 Training service support

In order to identify the training given to entrepreneur, data was collected from business sector in the study. Accordingly, data was collected from respondent 53.77% entrepreneur takes training that related with their business and 46.23% entrepreneur can not take training that related with their business.

Table 4. 7Tabulation of Training

Train to employee	Freq.	Percent	Cum.
Yes	57	53.77	53.77
No	49	46.23	100.00
Total	106	100.00	

4.3.4 Train type for Firms

In this study the respondents were asked about the type of training given to entrepreneur to produce qualified employees the responses of respondent were as follows. As it can be observed from table below 33.2%, 22.3%, 24.5% and 20.0%, entrepreneur get training service as Entrepreneurship training, technical training, business management and kaizen training respectively. From interview result some respondent put their response not taking training as busy at work, not gating opportunity to participate in training and don't have information about training. So, the training Opportunities should be open all the time and there should be no time limitation to get the training opportunities for motivation and performance of employees.

Table 4. 8 Tabulation of train type

train type	Freq.	Percent	Cum.
Entrepreneurship training	6	5.66	5.66
technical training	16	15.09	20.75
business management	34	32.08	52.83
kaizen training	50	47.17	100.00
Total	106	100.00	

4.3.5 Working premises support

In order to identify the working premises that entrepreneur engage, data was collected from each owner of business in the study. In this study large proportion 36.79% of respondents found their business space by Rent, 19.81% of respondents found their business space by government Support and 16.04% entrepreneur are started their business in their own place. But 127.36% entrepreneur were obtained by family.

Table 4.9 Tabulation of work place

Working place support	Freq.	Percent	Cum.
Rent	39	36.79	36.79
Government	17	16.04	52.83
Owner	21	19.81	72.64
Family	29	27.36	100.00
Total	106	100.00	

4.3.6 Attractive of business location

The extent to which their location helps them to perform well. Only about 73.58% of the enterprises respond that their business is located in attractive business area, the remaining 26.42% of the enterprises respond that their business is located not attractive for business.

Table 4. 10Tabulation of location

location attractive	Freq.	Percent	Cum.
Yes	78	73.58	73.58
No	28	26.42	100.00
Total	106	100.00	

4.3.7. Favorability of the business environment

The respondents were asked about the favorability of the business environment for MSEs and the responses were 64.15% Excellent, 14.15% good, 8.49% Fair and 13.21% Poor.

Table 4. 11 Tabulation of favorability

Favorability of business	Freq.	Percent	Cum.
Poor	14	13.21	13.21
Fair	9	8.49	21.70
Good	15	14.15	35.85
Excellent	68	64.15	100.00
Total	106	100.00	

4.4 Correlation analysis

Based on the data, conclusions were drawn, and as a result, assumptions about the population from the samples were developed. Pearson Product Moment Correlation When there is a linear relationship between two variables or a continuous correlation between two variables, the coefficient is a commonly used statistical tool for getting an index of the associations between the variables. To determine whether aspects related to working conditions, technology, infrastructure, marketing, finance, and management are statistically significantly correlated with a firm's success in relation to political and legal regulation. The range of a correlation coefficient is -1 to +1. Perfect positive correlation is represented by a number of +1, and perfect negative correlation is represented by a value of -1. There is no association when the correlation value is 0.

Table 4.42 Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Performance_SMEs	1.000							
(2) Marketing factors	0.13*	1.000						
	(0.044)							
(3) Financial factors	0.226*	0.757*	1.000					
	(0.020)	(0.000)						
(4) Management factors	0.270*	0.454*	0.417*	1.000				
	(0.035)	(0.000)	(0.000)					
(5) Infrastructure factors	0.802*	0.165	0.180	0.076	1.000			
	(0.000)	(0.095)	(0.070)	(0.443)				
(6) Political and legal factors	0.794*	0.157	0.167	0.083	0.990*	1.000		
	(0.000)	(0.114)	(0.092)	(0.403)	(0.000)			
(7) Technology factors	0.789*	0.085	0.258*	0.036	0.694*	0.683*	1.000	
	(0.000)	(0.384)	(0.008)	(0.714)	(0.000)	(0.000)		
(8) Working and place factors	0.592*	0.056	0.172	0.055	0.624*	0.612*	0.390*	1.000
	(0.000)	(0.568)	(0.077)	(0.575)	(0.000)	(0.000)	(0.000)	

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

The results of the correlation study showed a weak but statistically significant link (r = 0.270*, p =.0.035) between management parameters and the performance of small and micro enterprises. Due to the fact that the p-value was smaller than.05. This demonstrates that there was a marginally favorable but statistically significant association between management and small- and microbusiness performance. Correlation study, on the other hand, reveals that there is a weakly significant and positive association between the financial and marketing aspects and the performance of small and micro organizations, with varying probability values.

The results of the correlation study showed a substantial and robust link (r = 0.802*, p =.0.000) between the infrastructure components and the performance of small and micro enterprises. Due to the fact that the p-value was smaller than.05. This demonstrates that there was a substantial and highly positive correlation between small and microbusiness performance and infrastructure.

The aforementioned table displays a favorable and statistically significant correlation (r = 0.794* p = 000) between the performance of small and micro enterprises and the political and legal regulation. This leads one to the conclusion that there was a highly significant and favorable relationship between the performance of small and micro enterprises and the political and legal regulation.

According to the correlation study, there is a substantial and robust link (r = 0.789*, p =.000) between technical characteristics and the performance of small and micro enterprises. As a result of the p-value being.000, which was below.05. This demonstrates that there was a substantial and favorable correlation between technology-related parameters and small- and microbusiness performance.

According to the correlation study, working place characteristics and the success of small and micro enterprises had a moderately and significantly positive link (r = 0.592*, p =.000). As a result of the p-value being.000, which was below.05. This demonstrates that there was a favorable moderate and significant association between small and micro enterprises' performance and their working environment.

4.5 Model and Hypothesis Verification

4.5.1 Model Assumption test

The model assumption test is used to check whether the major the standard assumption of multiple linear regressions is meeting or not.

(1) Number of observation is greater than number of parameter

Green (1991, cited by Mooi and Sarstedt, 2011) proposes a rule of thumb for sample sizes in regression analysis. Specifically, he proposes that if you want to test the overall relationships between the independent and dependent variable, the number of observations is at least 50 + 8 *k (where k are the number of independent variables). Thus, our regression model has seven independent variables, the study need 50 + (8*7) which is equal to 106 observations, or more. Fortunately this study had 106 observations and it meets the assumption.

(2) Multi co-linearity Assumption

The second data requirement is that no or little co linearity is present. Collinearity is relatively easy to detect by calculating the tolerance or VIF (Variance Inflation Factor). A tolerance of below 0.10 indicates that (multi) co linearity is a problem. The VIF is just the reciprocal value of the tolerance. Thus, VIF values above ten indicate co linearity issues (Mooi and Sarstedt, 2011).

Accordingly, the tolerance and VIF of this study was diagnosed as shown in Table below whether there existed multi-co linearity existed between the independent variables and the data shows there are weak or acceptable level of co linearity with a tolerance of above 0.1 and a VIF of below 10. The Variance Inflation Factor of each variable in Table below of coefficient indicates no multi-co linearity in independent variable totally.

Table 4.13 Multi co-linearity test

Variables	VIF	1/VIF
Infrastructure	3.820	0.190
Political and legal	2.900	0.200
Finance	2.830	0.354
Marketing_	2.790	0.359
Technology	2.100	0.476
Working_place	1.740	0.576
Management	1.310	0.764

(3) Linearity Assumption

Another assumption is the regression model should be expressed in a linear way which means that we can write the regression model as $y = \alpha + \beta 1\ \chi\ 1 + \ldots. + \beta n\ \chi\ n + \varepsilon$ (Mooi and Sarstedt, 2011). Garson (2012) also suggested that a Partial regression and partial residual plots estimates

(fitted values) of the dependent variable show a random pattern when nonlinearity is absent. STATA output of such a plot can be found in appendix Partial regression plots for linearity test under appendix B.

(4) Normality Assumption

The third assumption is for multiple regression validity is assessing the normality. We check the normality assumption by examining the Shapiro-Wilk (SW) test.

Table 4. 14 Shapiro-Wilk W test for normal data

Variable	Obs	W	V	Z	Prob>z
performance	106	0.994	1.167	0.359	0.360

The null hypothesis of Shapiro-Wilk W test says the sample data came from a normally distributed population and the alternative hypothesis says the sample data not came from a normally distributed population. Since test statistic for all variables were greater than Critical values P-value (α) =.05 by default, we cannot reject Ho. That means the normality assumption of the model fulfilled.

(5) Homoscedasticity Assumption

The Last assumption to be considered before we run multiple regressions was Homoscedasticity and Outliers. Homoscedasticity is that the errors' variance is constant (Mooi and Sarstedt, 2011). Homoscedasticity is the variance of the residuals about predicted dependent variable (DV) scores should be the same for all predicted scores (Pallant, 2005).

Homoscedasticity assumption refers the variance of error term, should be constant. We examine the Homoscedasticity assumption by using Breusch-Pagan Test.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of performance

chi2(1) = 0.69

Prob > chi2 = 0.4054

Since test statistic greater than Critical values P-value (α) =.05 by default, we cannot reject Ho. That means the error terms has the same or have a constant variance or homoscedasticity

4.6 Regression Analysis

The multiple linear regressions are a statistical technique used to determine the strength of the relationship between one continuous dependent variable and two or more independent variables. Regression is always you to make statements about how one or more independent variables to predict the value of a dependent variable.

The overall test aimed at finding out whether the explanatory variables (X1, X2,. . .,XK) do actually have any significant influence on dependent variable(Y) jointly. It is an overall level of significance test to verify whether all explanatory variables jointly at a time able to explain the variation in outcome variable (y) so that to test the overall goodness of the model. The procedures are formulating the hypothesis, determine Fcal, determine Ftab using df (n-k) or alpha, finally compare and make decision. Note that if the Fcal (actual) >Ftab (index) and p-value < alpha (0.05), all explanatory variables are statically significant and able to explain the change in outcome variable.

The data in table below shows that F-test is statistically significant, which means the model is statistically significant because the P-value<0.05.

In connection to this, the R-squared is equals to 0.803 means that approximately 80.30% of the variability in firms Performance of SMEs occurred due to the predictor variables under the model. Thus, the model well fit the data because R-squared is more than 50 percent. Therefore, based on data in the table below it can be conclude that all explanatory variables (politico-legal, working premises, technology, infrastructure, marketing, finance and management) jointly significant and able to explain the change in outcome variable (firms Performance of SMEs) and the model is good to capture the data.

Table 4. 15 Linear regression

Performance_SMEs	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Marketing	.103	.127	0.81	.421	-.355	.15	
Finance	.125	.097	1.28	.043	.068	.318	
Management	.171	.091	1.88	.044	.051	.01	**
Infrastructure	.313	.578	0.54	.049	.835	1.461	**
Political & legal regulation	.434	.672	0.65	.042	.9	1.769	**
Technology	1.287	.177	7.27	.000	.936	1.638	***
Working_place	.389	.169	2.31	.023	.054	.724	**
Constant	7.395	3.025	2.44	.016	1.389	13.401	**
Mean dependent var		23.359	SD dependent var			7.931	
R-squared		0.803	Number of obs			103	
F-test		55.154	Prob > F			0.000	
Akaike crit. (AIC)		566.793	Bayesian crit. (BIC)			587.871	

*** p<.01, ** p<.05, * p<.1

Hypothesis Testing

The general multiple linear regression model specification can be written in the form:

Firms performance of SMEs = 7.395 +.103 Marketing + .125 Finance +.171Management + .313 Infrastructure +.434Political and legal regulation +1.287Technology +Working place

Hypothesis testing is based on beta coefficients with 95% confidence level to test whether the hypotheses are rejected or not.

H_1: Marketing has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The results of multiple regressions, as presented in table above, revealed that marketing have a positive and insignificant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.103) and p value .421 at 95% confidence level. Therefore, the researcher may reject the null hypothesis. Marketing has statistically insignificant impact on the firms performance of small and micro enterprises and marketing coefficient is meaningless to the small and micro enterprises performance.

In an interview conducted with an operator of the MSE, it was confirmed that production area is inaccessible for market hence forced to rent a shop which in turn incurred additional costs to firms , promotion of products, searching of market and networking took more time and cost as a starter. Some of the operators believed that personal factor is significantly played a role in succeeding in marketing. From here it can be concluded that marketing factors are linked to infrastructural (access, transportation, amenities) ,entrepreneurial, working place , management and personal factors of customer handling ,these interconnection made the marketing factors more significant .Lack of market to products emerged from the various marketing factors hence inefficiency on the other factors lead to lack of market.

H_2: Finance has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The results of multiple regressions, in the table above, revealed that Finance has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.125) and p value .043 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, finance has statistically significant impact on the firms performance of small and micro enterprises.

In this regard in an interview conducted with operators of MSEs, it was confirmed that High collateral requirement from lending institutions, Shortage of working capital, High interest rate by lending institutions and complicated loan application procedures was identified as an important factors for the performance of enterprises. Shortage of capital was identified as the prime factor for startup and expansion of micro enterprises, operators search to raise finance within their reach i.e the informal sectors and from personal savings, the formal institutions were not easily accessible due to high collateral, high interest rate and difficult loan application procedures. The informal source of finance is the major source of finance for MSEs.

H3: Management has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The results of multiple regressions, in the table above, revealed that Management has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.171) and p value .051 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, management has statistically significant impact on the firms performance of small and micro enterprises.

In this regard in an interview conducted with operators of MSEs, it was confirmed that most started their business by trial, without prior plan of the material requirement and usage,practice doing by learning , misallocation of financial and material resources ,lack of cost benefit analysis, poor record keeping. From here it can be concluded that financial, human and material management is the important aspects of management factors.

H4: Infrastructure has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The variable Infrastructure has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.313) and p value 049 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, infrastructure has statistically significant impact on the firms performance of small and micro enterprises.

From the interview it was understood that poor road condition incurred additional transportation cost, lose of customer ,absence and interruption of water supply was significant in Food Processing (FP) and poor road condition affected transportation, marketing and incurred additional cost.

H5: Political and legal regulation has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The variable Political and legal regulation has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (0.434) and p value .042 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, Political and legal regulation has statistically significant impact on the firms performance of small and micro enterprises.

Therefore from here it can be concluded that among the political legal factors the regulatory compliance and the cost of formalization was the major obstacle for the startup and expansion of business performance .In many developing countries, lack of enabling business environments has hampered the development of the MSE sector and kept entrepreneurs mired (Sethuraman, 2007).

H6: Technology has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The variable Technology has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (1.287) and p value .000 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, Technology has statistically significant impact on the firms performance of small and micro enterprises.

Interview response also showed loan to purchase equipment and materials were obtained from both personal and informal sources and the cost of machines were also very high for micro enterprises both at start up and expansion.It can be concluded that almost all enterprises utilized machines, tools and equipment and there is a high demand to have the required technology to produce quality products but the demand is bigger in wood and meta (W&M) and food processing (FP) sectors, this demand is highly constrained by Lack of capital to purchase.

H7: Working place has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia.

The variable Working place has statistically significant impact on the firms performance of small and micro enterprises in Ethiopia with beta coefficient value (.389) and p value .023 at 95% confidence level. Therefore, the researcher accept the null hypothesis. Since, Working place has statistically significant impact on the firms performance of small and micro enterprises.

As per the interview result, the performances of small-scale business are affected by the market linkages created by their owner, by other stakeholders and largely by government. In addition, the result shows many entrepreneurs make market linkage by good communication with customer, advertisements, bazar in holiday, making good network with different people, by using business card and mouth to mouth talking, by government support and personal support, by making good network with offices, individual, hotel and provide the material home to home and finally by working with supplier by good communication. The resulted supported by Liedholm, Location and sector of the business could have a direct influence on profitability and performance of small entrepreneurs (Liedholm,2002).

5. Conclusion and suggestion

5.1 Summary of finding

The study evaluated using questionnaire with questions tailored towards to determine the influencing mechanism for the development of small and micro enterprises in Ethiopia. Based on finding the researcher summary the result with comparison of other authors.

The results of this study indicate that there is a substantial correlation between infrastructure-related issues and MSE performance. This result is in line with that of Eshetu & Mammon (2009), who found that their company's performance is being negatively impacted by a lack of inexpensive, safe, dependable, and effective infrastructure. However, this result is at odds with that of Rahel & Paul (2010), who found that infrastructure access is not considered a major issue.

Previous studies by Eshetu & Mammo (2009) appear to indicate that MSEs have faced a substantial and ongoing challenge from issues connected to rules and regulations. However, this study discovered that, with a 95% confidence level and a beta coefficient value of 0.434, legal and political regulation had a statistically significant impact on Ethiopia's small and microbusiness performance.

The study's findings demonstrate that management, with a beta coefficient value of 0.171 and a p value of.051 at a 95% confidence level, has a statistically significant impact on the performance of small and micro enterprises in Ethiopia. This result corroborated the findings of (Levy and Powell, 2005), which state that an entrepreneur's conduct and personality can either promote or inhibit growth-oriented accomplishment. Since owner-managers make the majority of the key decisions in small enterprises, their traits—personality, abilities, duties, attitude, and behavior—will have a significant impact on the business strategy.

5.2 Conclusion

This research was conducted with the prime intent of critically investigate the influencing Mechanism of the Development of Small and Micro Enterprises in Ethiopia. The study aims to determine the correlations between different types of micro and small scale enterprises and specific factors that impact their development. Additionally, it seeks to understand the influence of these factors on the performance of micro and small scale enterprises. The study's findings led to the following conclusions being made.

Conclusion: The independent variables (political and legal regulation, marketing, finance, working environment, management, technological and infrastructure elements) account for 80.30% of the variance in performance. Other factors not covered in this study account for the remaining 19.7% of the variation.

The infrastructure, political and legal, and technological aspects were found to be the main determinants of SMEs' success. These elements were shown to have a high positive link with SMEs' performance in Ethiopia.Infrastructure elements have the most impact on MSE performance (0.802), followed by political and legal variables (0.794). Conversely, technology considerations impacting MSE performance have a beta value of 0.789.

The study found that the performance of small and micro companies and management parameters had a weak but significant association (0.270).Similarly, the study demonstrates that, with varying probability values, there is a weakly positive and significant association between marketing and financial aspects and the success of small and micro organizations. However, the study found that, with a probability value of (r=0.592), there was a moderate and substantial association between working environment variables and the performance of small and micro organizations.

The study came to the conclusion that the following factors had a statistically significant influence on the performance of Ethiopia's small and micro enterprises: finance, management, infrastructure, political and legal regulation, technology, and working environment. These findings were based on the results of multiple regression analysis.

This study does not contain all of the elements impacting the development of SMEs since it included independent variables that were only presumed to be universal to all operators operating in the Ethiopian business environment. These include the areas of politics, law, marketing, infrastructure, finance, technology, and management. The majority of SMEs are profit-focused, so the study looked at profitability as a gauge of their development. This is because the majority of operators don't keep records, and their businesses are survival-based, so they gauge their performance by meeting their household expenses and ensuring the continuing existence of their businesses.

5.3 Suggestions

Create a micro and small business revolving fund in each Addis Ababa woreda by assigning a fixed amount of money, allowing operators to use the funds for startup and monthly repayment. The process will be closely watched, with extension workers providing technical help as well. An alternate approach would be to offer a guarantee of work for a predetermined duration, all the while encouraging savings by establishing connections with credit and savings organizations.

In Addis Ababa City, there need to be a methodical and well-run entrepreneurial training facility that offers MSE officials, extension agents, and company owners ongoing training. It evaluates current market data via extension agents, studies emerging and established business sectors, pinpoints opportunities and risks, and most importantly, talks to MSE operators about how to have a broad vision that can lead to smaller and medium-sized businesses.

The FMSEs office should set up well-organized marketing sites where all producers can provide their goods for sale, with their prices and markings tagged on them and promoted jointly. This gives MSEs' products access to the market and makes it simple to promote goods through a well-organized marketing structure. Equal access to the market is possible for all operators, and it also eliminates unjust housing rent and gives them the option to focus solely on production while their goods are offered at a common market. According to the researcher, more studies might look at other industries like retail, urban agriculture, and construction and provide particular results that could have a significant impact on the growth of the nation as a whole.

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Appendix A:

Questionnaire

Dear respondents,

I am a master's student at **HENAN POLYTECHNIC UNIVERSITY** conducting a research exploring the Influencing Mechanism of the Development of Small and Micro Enterprises in Ethiopia. I am kindly requesting you to give your answers to all questions in this questionnaire honestly. The information you provide is only for academic purpose and was be kept confidential.

Thank You for your sincerely cooperation!

GENERAL QUESTION FOR RESPONDENTS

1.Gender: Male [ ] Female [ ]

2.Age: Below 25 years [ ] Between 25 – 35 years [ ]

Between 35 - 45 years [ ] above 45 years [ ]

3.The highest level of education you have accomplished. Any short term certificate [ ]

Diploma [ ] first degree [ ] above level [ ]

4.Number of years you have experienced in the project in (project planning, management, consulting, supervising, or supervisor)

Below 2 years [ ] 2 - 5 years [ ] More than 5 years [ ]

5. What are factors motivated you to involve in this business? (More than one answer is possible)

1) performance of the business 2) Lack of employment alternatives

3) Good government support 4) others -

6 What is the type of your business Sub-sector? 1) Metal and wood Work 2) Food processing 3) Garment and textile 5) Leather 6) other, specify_____

7 How do you acquire the working space on which you operate your business?

1) Bought/owner 2) Rented from private owners 3) Family 4) Given by the government 5) others, specify --------

8. Do you think your location is in attractive business area? 1. Yes 2. No

9 Have you get any training relating to your business? 1) Yes 2) No

10. which of the following training were provided for you that relate with your business?

1) Entrepreneurship Training 2) Technical Training 3) Business Management
4) Kaizen Training 5) Other, Specify_____

11, what was the highest level of training you received?

Masters [ ] First degree [ ] Certificate [ ]
Short term training []

If other: please specify the type of training----------

FACTORS AFFECTING THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES

Please indicate the degree to which the following factors are affecting the profitability of your business enterprise performance. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, **5** = strongly agree, **4** = agree, **3** = undecided, **2** = disagree and **1**= strongly disagree.

Please indicate the degree to which you agree or disagree with the following statements concerning politico-legal factors.

Political_legal_factors:				**5**	**4**	**3**	**2**	**1**
Tax levied on my business is not reasonable								
Costy company registration and licensing bureaucracy								
Political influence in team formation, enterprise selection,								
Lack of access able information to government regulations relevant to my business								

2.Please indicate the degree to which you agree or disagree with the following statements concerning working place factors.

Working_place_factors:	**5**	**4**	**3**	**2**	**1**
Absence of own premises					
Current working place is not convenient					
House rent is too high for my business					

3.Please indicate the degree to which you agree or disagree with the following statements concerning technology factors.

Technology_factors:			5	4	3	2	1
Lack of information in the availability of appropriate tools and materials Lack of skill and knowledge to handle new technology							
Lack of capital to acquire new technology							
Unable to select proper technology							

4 Please indicate the degree to which you agree or disagree with the following statements concerning infrastructural factors.

Basic Infrastructural Factors:				5	4	3	2	1
Absence of Power and power interruptions								
Insufficient and interrupted water supply								
Lack of business development services								
Lack of sufficient and quick transportation service								
Lack of appropriate dry waste and sewerage system								

5.Please indicate the degree to which you agree or disagree with the following statements concerning marketing factors.

Marketing Factors:	5	4	3	2	1
Inadequate market for my product					
Searching new market is too difficult					
My products are Poor quality for the market					

Lack of establishing a market network					
Lack of market information					
Lack of promotion to attract potential users					
Poor customer relationship and handling					

6Please indicate the degree to which you agree or disagree with the following statements concerning financial factors.

Financial Factors:	**5**	**4**	**3**	**2**	**1**
Absence or inadequacy of credit institutions					
Lack of access to credit institutions					
Shortage of working capital					
High collateral requirement from lending institutions					
High interest rate by lending institutions					
Loan application procedures are complicated					

7 Please indicate the degree to which you agree or dis agree with the following statements concerning management factors.

Management Factors:	**5**	**4**	**3**	**2**	**1**
Lack of clear division of duties among members					
Poor organization and ineffective communication					
Poor selection of business partners					
Lack of well trained and experienced employees					
Lack of low cost and accessible training facilities					
Lack of financial ,human and material management					

9. How do you rate the performance of your business profitability?

Please indicate the degree to which the following indicators of the profitability of your business enterprise performance. After you read each of the indicators, evaluate them in relation to your business and then put a tick mark (√) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree.

Item	5	4	3	2	1
Performance_Factors					
The business is Profitable					
There is a good Sales turnover					
The business has good Market share					
There is good customer loyalty					

Interview Questions

1. What are the kinds of Mechanism used to Development of Small and Micro Enterprises ?

2. What is the challenge in delivering different services to Micro and small business in Addis Ababa?

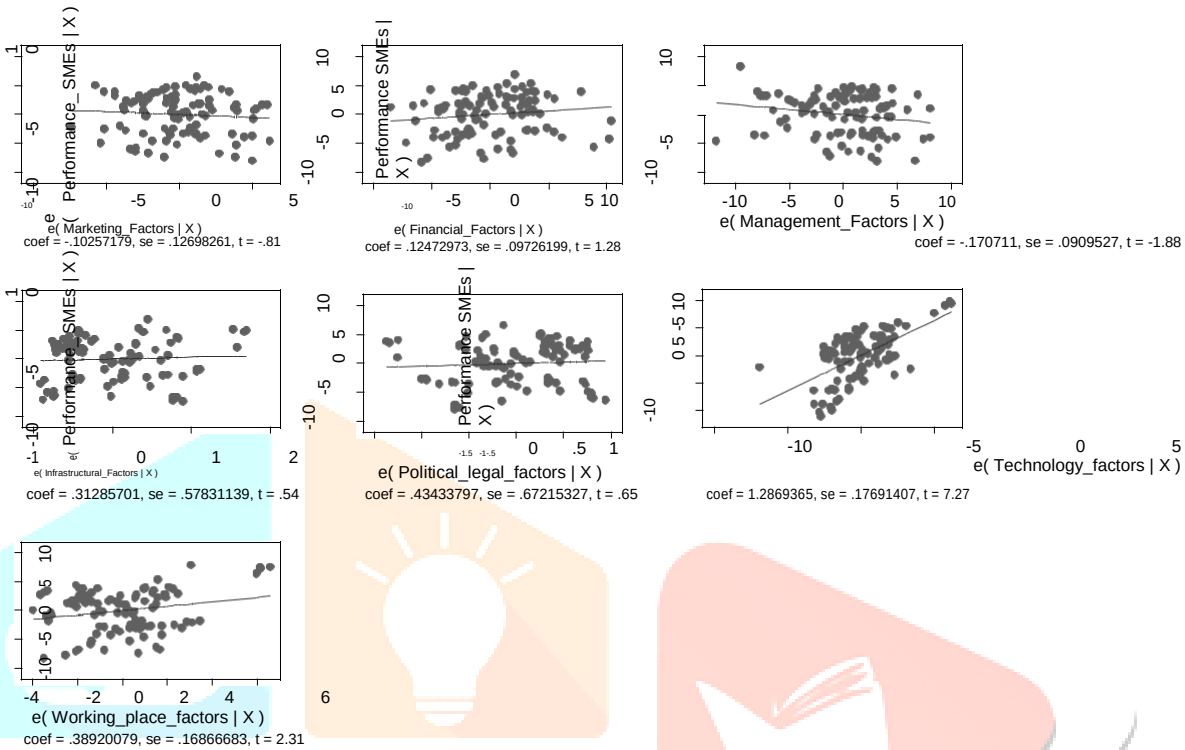
3. What is the role of government in improving the performance of Micro and small business ?

4. What things should be improved to enhance the performance of Micro and small business ?

Appendix B:

2, Linearity Test

Result of SPS



2. Demographic Variables

Tabulation of Gender

Gender	Freq.	Percent	Cum.
Male	61	57.55	57.55
Female	45	42.45	100.00
Total	106	100.00	

Tabulation of age

age	Freq.	Percent	Cum.
<25 year	26	24.53	24.53
25-35 year	40	37.74	62.26
35-45 year	40	37.74	100.00
Total	106	100.00	

Tabulation of education

academic qualification	Freq.	Percent	Cum.
diploma	33	31.13	31.13
bachelor	33	31.13	62.26
Above degree	40	37.74	100.00
Total	106	100.00	

Tabulation of working_experience

working_experience	Freq.	Percent	Cum.
0-2 year	39	36.79	36.79
2-5 year	42	39.62	76.42
>5 year	25	23.58	100.00
Total	106	100.00	

Tabulation of motivation factor

motivation factors for business	Freq.	Percent	Cum.
profitability	19	17.92	17.92
lack of alternative employment	57	53.77	71.70
gov support	30	28.30	100.00
Total	106	100.00	

Tabulation of Business Sector

Business Sector	Freq.	Percent	Cum.
wood and metal works	33	31.13	31.13
textile an garment	26	24.53	55.66
food preparation	22	20.75	76.42
leather	25	23.58	100.00
Total	106	100.00	

Tabulation of Training

train to employee	Freq.	Percent	Cum.
yes	57	53.77	53.77
no	49	46.23	100.00
Total	106	100.00	

Tabulation of Training_level

highest level of training you received	Freq.	Percent	Cum.
Certificate	14	13.21	13.21
Short term training	92	86.79	100.00
Total	106	100.00	

Tabulation of favorability

favorability of business	Freq.	Percent	Cum.
Poor	14	13.21	13.21
Fair	9	8.49	21.70
Good	15	14.15	35.85
Excellent	68	64.15	100.00
Total	106	100.00	

Tabulation of work place

working place support	Freq.	Percent	Cum.
Rent	39	36.79	36.79
Government	17	16.04	52.83
owner	21	19.81	72.64
Family	29	27.36	100.00
Total	106	100.00	

Tabulation of location

location attractive	Freq.	Percent	Cum.
yes	78	73.58	73.58
no	28	26.42	100.00
Total	106	100.00	

Tabulation of train type

	Freq.	Percent	Cum.
Entrepreneurship training	6	5.66	5.66
technical training	16	15.09	20.75
business management	34	32.08	52.83
kaizen training	50	47.17	100.00
Total	106	100.00	

3.Reliability and validity test

Reliability for marketing

Reliability Statistics

Cronbach's Alpha	N of Items
.715	7

Reliability for Finance factors

Reliability Statistics

Cronbach's Alpha	N of Items
.805	8

Reliability test for Management

Reliability Statistics

Cronbach's Alpha	N of Items
.793	8

Reliability test for infrastructure factors

Reliability Statistics

Cronbach's Alpha	N of Items
.925	5

Reliability test for political and legal factors

Reliability Statistics

Cronbach's Alpha	N of Items
.923	4

Reliability test for Technology factors

Reliability Statistics

Cronbach's Alpha	N of Items
.787	4

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Reliability test for working place factors

Reliability Statistics

Cronbach's Alpha	N of Items
.770	3

Reliability test for performance indicators

Reliability Statistics

Cronbach's Alpha	N of Items
.760	6

Reliability test of over all variables

Reliability Statistics

Cronbach's Alpha	N of Items
.919	45

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Author Biography

My name is Brook kechine kassa. I am from Ethiopia. I am in the last semester of my graduate year studying Business Administration at Henan Polytechnic University. I'd like to tell you a little bit about my background, interests, achievements and my goals.

I was born in Addis Ababa which is the capital city of Ethiopia and after one year me and my family went to Hossana which is located about 210 kilometers south of the main capital city and started living there for 7 years and return back and continue living in the capital city Addis Ababa.

My everyday activities included going to school, playing football , watching television, and going to church.

I start learning on age three on that small village the world for a child of three is a kaleidoscope of blurry shapes and nonsensical sounds. In my case, these blurred into the comforting rhythm of life in a small village. My days were filled with the earthy scent of freshly turned soil, the rhythmic clanging of the village blacksmith's hammer, and the melodic calls of roosters greeting the dawn.

My village was my first playground, a haven of exploration. The bumpy village path became my racetrack, the towering banyan tree my personal jungle gym. Each day brought a new discovery: the sting of a nettle, the delight of a perfectly round pebble, the wonder of a firefly's bioluminescence.

Life in the village was a constant learning experience. Elders were patient teachers, their wrinkled faces crinkling in amusement as I fumbled with a watering can twice my size. The language I learned wasn't just from books but from the rhythmic chants of women pounding rice and the animated bargaining at the village market.

By seven, the world had expanded beyond the village borders. But the lessons learned in those formative years stayed with me. The village instilled in me a deep respect for nature, a love for community, and the resilience that comes from facing challenges head-on. It was the perfect springboard from which to launch myself into the wider world.

After those beautiful years we went to capital and I continue studying there,The eight-year-old me, a small-town boy with a head full of daydreams and pockets overflowing with curiosity, embarked on a daunting journey to the prestigious Omega Preparatory Academy in the bustling capital city. It was a world away from the sprawling meadows and the whispering pines I was accustomed to. The towering brick buildings, the hurried crowds, and the incessant din were a stark contrast to the comforting familiarity of my hometown.

The initial days were a blur of unfamiliar faces, intimidating routines, and a gnawing sense of displacement. I found myself clinging to the memories of my old life, feeling like a lone oak uprooted from its fertile ground and transplanted into a foreign soil.

However, Omega slowly began to weave its magic. The classrooms, once sterile and intimidating, morphed into vibrant spaces of intellectual exploration. My teachers, with their infectious passion and boundless patience, nurtured my curiosity and ignited a thirst for knowledge I never knew existed. The library, a haven of towering bookshelves, became my playground, where I devoured stories that transported me to faraway lands and introduced me to captivating ideas.

Omega wasn't just about academics. The sprawling grounds became a stage for boisterous games of cricket and impromptu debates under the shade of old banyan trees. The camaraderie with my classmates, forged through shared experiences and late-night whispers in the dormitory, blossomed into deep and lasting friendships.

Life at Omega wasn't without its challenges. There were moments of self-doubt, the pressure to excel gnawing at my confidence. But with each hurdle, I discovered a newfound resilience within myself. I learned to navigate the complexities of dormitory life, to push myself academically, and to embrace the exhilarating chaos of the city.

As I step out of the imposing gates of Omega , ready to embark on the next chapter of my life, I carry with me not just the weight of knowledge, but also the invaluable lessons of perseverance, adaptability, and the importance of cherishing friendships. The small-town boy who once felt out of place has transformed into a young man, his roots firmly grounded in the lessons learned within the walls of Omega , prepared to face the challenges and embrace the opportunities that lie ahead.

Then I got a scholarship in China to join a bachelor program in International economics and trade so I went to China to study it’s a whole new world and new path.

My journey to China would be one of immense transformation. I would grapple with a new language, navigate unfamiliar customs, and forge my path in a dynamic and competitive academic environment. But I also knew it would be an experience unlike any other, a gateway to knowledge and personal growth.

As I prepared to leave the rice fields behind and stand beneath the shadow of the Great Wall, I carried with me the unwavering support of my family and the unyielding spirit of my village. This scholarship was not just mine; it was a testament to the collective hope of a community yearning for a brighter tomorrow.

In China, I aspired to not only excel in my studies but also embrace the cultural richness of the land. I dreamt of becoming a bridge between my village and this new world, one who could bring back not just knowledge, but a deeper understanding that would pave the way for others to follow.

The journey from a village boy to a scholar in China was just beginning. It was a daunting yet exhilarating prospect, a chance to rewrite the narrative of my life and, perhaps, inspire others to dream beyond the horizon.

A degree in International economics enables me to achieve my goals and also gives me an opportunity to make a difference in the community.

After that I continue studying for my masters degree program in Business Administration and I’m about to complete my path also from this program I’m just left with few months