FACTORS CONSTRAINING THE GROWTH AND SURVIVAL OF MICRO AND SMALL ENTERPRISES IN BURAYU

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LETTER OF CERTIFICATION

This is to certify that Abiyu Jiru has carried out his project work on the topic of "Factors Constraining the Growth and Survival of Micro and Small Enterprises in Burayu" under my supervision. This work is original in its nature and it is suitable for Submission in partial fulfilment of the requirement for the award of Masters Degree in Business Administration (MBA).

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DECLARATION

I, Abiyu Jiru, declare that this project work entitled "Factors Constraining the Growth and Survival of Micro and Small Enterprises in Burayu**"** is my own original work. I have carried out it independently with the guidance and suggestions of the research advisor. And it has not been presented in Addis Ababa University or any other University and that all sources of materials used for the study have been duly acknowledged.

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Table of Contents

Acknowledgement ----------I

Table of Contents----------II

List of Tables----------III

List of Figures----------IV

Abstract ----------V

1. Introduction

1.1 Background of the Study----------1

1.2 Justification of the Study----------4

1.3 Statement of the Problem----------4

1.4 Objectives of the Study----------6

1.5 Significance of the Study----------7

1.6 Scope of the Study----------7

1.7 Research Limitations and Future Research----------7

2. Review of Literatures

2.1. Overview of Enterprise----------8

2.2. Definition of Micro and Small Enterprises----------8

2.3. Micro and Small Enterprises Development in Ethiopian----------11

2.4. The Roles of Micro and Small Enterprises----------13

2.5. Constraints Facing the Micro and Small Enterprises (MSEs) ----------14

2.5.1 General Perspective of Factors Constraining Micro and Small Enterprise----------14

2.5.2 Marketing Constraints----------15

2.5.3 Management Constraints----------18

2.5.4. Financial Constraints----------20

2.5.5 Other External Environmental Factors----------22

2.6 Some Sub-Saharan Countries Experiences on Constraining Factors of MSEs from Empirical Evidences----------23.

3. Methodology

3.1 Research Design----------25

3.2 Sources of Data----------25

3.3 Methods of Data Collection----------25
3.4 Sample size----------26
3.5 Sampling Method----------26
3.6 Instruments----------28
3.7. Analysis of Data----------.....----------29
3.8 Theoretical Framework----------30
4. Results and Discussion
4.1 Gender of Participants----------31
4.2 The Age of Participants----------32
4.3 Educational Qualification of Participants----------33
4.4 Year of Experience of Participants----------34
4.5 Source of Initial Capital of MSEs during Start-up----------35
4.6 Source of Participants' Skills----------36
4.7. Employees Number in the Enterprises----------37
4.8 Lack of Market Related Information----------38
4.9 Product Improvement----------41
4.10 Setting Clear and Competitive Price for Products----------43
4.11 Market Access----------45
4.12 Creating Awareness for the Public /Market Promotion----------46
4.13 Network/Linkage with External----------47
4.14 Competition from MSEs, Medium and Large firms----------49
4.15 Lack of Adaptation to Changing Environment---------- 50
4.16 Identifying Target Market----------52
4.17 Perception of Public----------53
4.18 Well- rounded Experience in Basic Business Activities----------55
4.19 Efficient Utilization of Business Resources----------57
4.20 Multi-skill Training to Perform Multiple Tasks----------58
4.21 Management Ability in Creating External Relationship---------- 59
4.22 Suitable Management Style----------61
4.23 Knowledge to Prepare Convincing Business Plan to Get Loan----------63
4.24 Working Capital----------64

4.25 MSEs Familiarity with Financial Information----------67
4.26 Provision of Training and Skill Upgrading for MSE by Government----------69
4.27 Adequate Arrangement of Required Business Infrastructures---------- 71
4.28 Government Institutions Procurement from MSEs----------72
4.29 Provision of Right Business Location----------73
5. Conclusion and Suggestion
5.1 Conclusion----------76
5.2 Suggestions----------78
Bibliography ----------79
Appendix

List of Tables

Table Page

Table 2.1 Marketing Constraints----------16

Table 2.2 Management Constraints----------20

Table 2.3 Financial Constraints ----------22

Table 3.1 Sample Determinations----------27

Table 3.2 Types of Businesses----------28

Table 4.1 Descriptive Statistics of Marketing Constraints----------54

Table 4.2 Utilization of Business Resources----------55

Table 4.3 Multi- Skill Training of Employees to Perform Multiple Tasks----------58

Table 4.4 Suitability of Management Style----------61

Table 4.5 Descriptive Statistics of Management Constraints----------62

Table 4.6 Descriptive Statistics of Financial Constraints----------69

Table 4.7 Government Procurement from MSEs----------73

Table 4.8 Provision of Right Business Location----------73

Table 4.9 Government Support Descriptive Statistics----------74

List of Figures

Figure **Page**

Figure 4.1 Gender of Participants----------32
Figure 4.2 The Age of Participants----------32
Figure 4.3 Educational Qualification of Participants----------33
Figure 4.4 Year of Experience of Participants----------34
Figure 4.5 Source of Initial Capital of MSEs during Start-up----------35
Figure 4.6 Source of Participants' Skills----------36
Figure 4.7. Change in Employees Number in the Enterprises----------37
Figure 4.8 Lack of Market Related Information----------39
Figure 4.9 Continuous Product Improvement----------42
Figure 4.10 Setting Clear and Competitive Price for Products----------44
Figure 4.11 Market Access----------45
Figure 4.12 Creating Awareness for the Public about the Products----------46
Figure 4.13 Network/Linkage with External----------48
Figure 4.14 Competition from MSEs , Medium and Large firms----------50
Figure 4.15 Lack of Adaptation to Changing Environment----------51
Figure 4.16 Identifying Target Market----------52
Figure 4.17 Perception of Public----------53
Figure 4.18 Well- rounded Experience in Basic Business Activities----------56
Figure 4.19 Management Ability in Creating External Relationship----------60
Figure 4.20 Knowledge to prepare convincing Business Plan to Get Loan----------64
Figure 4.21 Working Capital----------65
Figure 4.22 MSEs Familiarity with Financial Information----------67
Figure 4.23 Provision of Training and Skill Upgrading for MSE by Government----------70
Figure 4.24 Adequate Arrangement of Required Business Infrastructures----------71

List of Acronyms

BDS- Business Development Service

CSA- Central Statistics Authority

FeMSEDA- Federal Micro and Small Enterprise Development Agency

GTP-Growth and Transformation Plan

GTZ-MSE -Gernman Government Supported Micro and Small Enterprise Development Programme

ILO -International Labor Organization

MFI -Micro finance Institution

MoE - Ministry of Education

MoLSA - Ministry of Labour and Social Affairs

MOTI- Ministry of Trade and Industry

MSE -Micro and Small Enterprise

NGO- Non-Governmental Organization

OCSCO- Oromia Credit and Saving Corporation

ReMSEDA -Regional Micro and Small Enterprise Development Agency

TITBs - Trade, Industry and Tourism Bureaus

UNIDO- United Nation Industrial Development Organization

Abstract

Micro and Small Enterprises (MSEs) play an important economic role in many countries and recognized as an important vehicles of economic diversification, employment creation, income

generation and distribution, and poverty alleviation. MSE occupy a prominent position in the development agenda of many developing countries like Ethiopia. Currently, in Ethiopia, the Government has been promoting the development of MSEs through the formulation and implementation of Micro and Small Enterprises Development Strategy and the number of MSEs in the country is steadily growing. But, much more important than increase in their numbers, their current status, stage and pace of development is significant because most MSEs are hibernated from growing and faced with the threat of failure due to many factors. Little research exists that examines these factors constraining the growth and survival of MSEs in developing countries, especially in Ethiopia. The purpose of this study is to assess the constraining factors related to marketing, management, finance and government supports hindering the growth of MSEs in Burayu.

The study was employed through descriptive design in which stratified random sampling method was used to collect data from MSEs owners/ managers of eight selected sectors according to the objective of the study with a total population of 1250 and 78 samples. The samples were selected randomly from each stratum using proportionate allocation after stratification of the sectors. Questionnaires and interviews tools of data collection were used in the study. The data was analysed using descriptive statistics and presented through figures, tables and percentages. It is generally recognized that MSEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. The findings indicate that the most common factors constraining the growth of MSEs in Burayu are: lack of working premises, lack of working capital and access to credit, lack of market access, inadequate availability of infrastructure, lack of managerial training and experience; and scanty of marketing information. Replication of this study using larger samples and a broader geographic base, longitudinal data collection and using more statistical tests is suggested for cross-validation purposes in future researches to identify the factors constraining the growth and survival of MSEs.

1. Introduction

1.1 Background of the Study

With rapid growth in population, African countries have been experiencing the problem of large size of unemployment through its economic history since indeterminate time in the past (Behrman J. R., and Deolalikar .A. B, 1989; Khan and Manopichetwattana, 1989). Because of this fact, the problems of unemployment and poverty have been the prime challenges that many governments have tried their best to alleviate these challenges at all levels (Chrisman and Leslie, 1989; Hyvarinen Churchill and Lewis, 1990; Riding and Santos Swift, 1990).

Since Ethiopia is not exception of these countries, the Federal Micro and Small Enterprises Development Package of 2005 and EEA Conference in 2008 revealed that Ethiopia is facing high unemployment problem. In view of this, the role of MSEs in generating significant number of employment opportunities for both skilled and unskilled human power is well recognized by government and perceived as prime solution to overcome this challenge.

Currently, MSEs in both developed and developing countries are seen as the most important alternative sector in fostering socio-economic developments. Particularly, they make undoubtedly a huge contribution to employment in many developing countries where there is a challenge of high unemployment and poverty exists. Several studies reveal that MSEs in these countries are considered as crucial in employment creation and generally contribute to economic growth as an engine of development and vehicle towards fulfilling the Millennium Development Goals. Chief among these goals is the reduction of poverty through creating employment, wealth and improvement of living standards, because poverty and unemployment rate are considerably higher in these countries than developed countries, (Robinson and Pharr, 1991; Hailey, 1991).

On the other hand, MSEs play a great role in bringing innovative products, techniques and new markets, dynamism and flexibility which is another virtue of smallness with possibility of meeting that they believe behaviorally to respond to customers' changing demand so as not to lose them and to win new ones by supplying better products and services. Practically, they invest relatively small amount in technology, equipments, human resource etc. when compared with larger ones which invest large amount on expensive single purposed machines, hold large

inventory and use costly technologies and tools. This allows them to change what they have been doing with far less difficulty (David and Nyong, 1992; Manningo and Mashengo, 1993; Liedholm and Mead, 1993; World Bank, 1993; Sawney, 1993; Hambrick, 1993; Michael Bowen, Samuel Mureithi, 2009; Adam Isaac, 1996; Andu-Alem T., 1997; Bandura, 1997).

The responsiveness of MSEs to conditions and trends in the market come from a closer relationship with customers allows a thorough understanding of the need and taste of their customers. This makes them the first to learn the changes in preference that will affect the market. In contrast, large businesses spend significant amount on R&D to learn about customers' behavior and send message of concern. But for small businesses both learning about their customers choices and showing concern is a natural part of doing business (Sauser, 2005;Freel, M. S. and Robson, 2004).

In addition, MSEs serve as an entrepreneurial training ground in which tomorrow's business leaders can find success and gain valuable experiences. As MSEs' role has become clearer, policy makers, donors and other organizations in developing countries have expended increasing amounts of scarce resources on MSEs by supporting, promoting and developing them (Allan and Fredah, 2009; Yusuf, 1995; CSA, 1995; Patience &George, 2009; Longenecker ,et.al,.2006).

Although contributions of MSEs were acknowledged, many programs and policies were developed to support them, their journey in many instances is short-lived, with high rate of failure mostly in Africa due to several factors (Michael and Jeffrey, 2009; Lussier, 1996; Honjo, Y., 2000; Mohamed Amiri, 2000; ILO, 2000; Wiboonchutikula, 2001; Céline Kauffmann, 2005; Finnegan, G. (1999b; Alicia Robb and John Wolken, 2002). According to Mambula, (2002), Zewde & Associates ,(2002),Wiboonchutikula, P. ,(2002), there are many obstacles hindering their growth like competitions, lack of access to credit, cheap imports, insecurity, debt collection, marketing problems, lack of enough working space, identical products in the same market, change in demand and absence of market linkages, lack of raw material accessibilities. In addition, findings by Lois Stevenson and Annette St-Onge(2005), also indicates managerial skills, level of education and technical skills, ability to convert profit back into investment are other factors instilling or inhibiting the growth of MSEs.

When we come to MSEs in Ethiopia according to Yordanos ,(2006), Gebrehiwot and Wolday, (2006), CSA ,(1995/2003), more than 11, 000 MSEs were surveyed and about 65 percent of them admitted having main constraints like lack of working space for production and marketing, shortage of credit and finance, regulatory problems (licensing, organizing, illegal business),poor production techniques, in put access constraints, lack of information, inadequate management and business skill, absence of appropriate strategy, lack of skilled man power, low level of awareness of MSE's as job area, low level of provision and interest for trainings and workshops. These constraints confirm with other developing countries' especially experiences of Sub-Saharan countries in which the major common constraints of MSEs are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructural availability, insufficient profits and low demand for product and services (Arinaitwe, 2006; OECD, 2006; Indarti, 2006; Thiam, 2007; ILO, 2007; Hailay, 2007; Dildar and Zafar Yaqub, 2010; Gurmeet and Rakesh, 2007).

Even though in the past decades the focus of Ethiopian government was mainly on large organizations, the recent wave of private sector development initiatives however shifted the policy efforts to MSEs. This new orientation has been possible because of poor performance in most state owned companies and the tension introduced by globalization and the increased need for competitiveness (Zewde & Associates, 2002; Rahel and Issac, 2010; Jining Song,Junjie Wu,2008; Hamilton & Fox, 1998; Desta, 2010).

In general promotion of MSEs in the country is increasingly becoming more important due to the fact that they use what the country possesses and less of what it lacks as well as their role in employment creation for the majority work forces. Because of, the potential of MSEs for economic development through creating market for local products, and utilization of local raw materials and knowledge more attention has given to the sector.

Ethiopia is one of the countries with this condition and relying upon MSEs helping as an engine to drive to economic growth, elimination of unemployment and poverty and the failure rate of these businesses in Ethiopia indicates that they are in dire need of assistance. To provide assistance, it is necessary to identify the constraining factors of MSEs' growth that they have faced.

1.2 Justification of the Study

It is obvious that agriculture is still the back bone of Ethiopian economy and medium and large companies are also contributing for economic growth and development of the country. Even though no complain is required regarding their contributions, MSEs were not considered in the past decades as they have potentials of making up for over 90% of enterprises in the world and account for 50-60% of employment in developing countries as ILO (2007) acknowledges them and they have invaluable contributions in the economic development of countries like other sectors.

Currently, Ethiopian government has given priority and planned to work aggressively on MSEs to complement with the objective of the 5 years of GTP that is focused on industrial development in the country. The sector is expected to plays a significant role as an instrumental in curbing the challenges of unemployment, poverty and to accelerate economic growth.

Although there are many contributions expected from these sectors for economic growth, they face difficulties constraining their survival, growth and indirectly limit for the contributions they are expected. For the purpose of this study, particularly, according to the discussions made among MSEs actors and heard from Oromia Mass Medias, many of MSEs in Burayu are not successful and stopping their operation in facing challenges making them not to continue their operation. In addition to information from Mass Medias, the researcher collected some information informally before starting the actual study and there was a rumour that more than 200 MSEs stopped their operation because of different reasons. Availability of this issue and information motivated the researcher to conduct actual study on MSEs in Burayu because of MSE is currently a fashionable agenda for Ethiopian government and unless and other wise these constraints are minimized or solved, it is difficult to get contributions expected from these sectors.

1.3 Statement of the Problem

The importance of MSEs as an instrument of poverty alleviation through employment creation and supply of affordable products has been implicitly and explicitly accepted by many countries and international development organizations. Firm growth is a central focus area in strategy of

many owners/ entrepreneurs, government and organizations. Even though much research effort has been targeted particularly at investigating the factors affecting firm growth, still there is no comprehensive theory to explain the major factors affecting it. Growth of MSEs has a special importance in the economy that it is responsible for the major contribution to net new jobs. In fact, as researches reveal firm growth is a multidimensional phenomenon and there is substantial heterogeneity in a number of factors associated with firm growth and related research. However, MSE growth is often closely associated with firm's overall success and survival because it has been used as a simple measure of success in businesses and the most appropriate indicator of the performance for survival of small firms. Moreover, growth is an important precondition for the achievement of other financial goals of business. However, there are several conceptual and empirical challenges in the study of firm growth, in general term it refers to increase in size. In research, firm growth has been defined in many ways and different measures have been used. The most frequently used measure for growth has been change in the firm's turnover and number of employees and it has been found that these measures in the MSE context are strongly inter-correlated.

In Ethiopia, support to MSEs has been considered as a tool to employment creation and foundation to long-term development objectives. Even though some countries believed to be successful in fully utilizing the potentials in MSEs to achieve better economic development, the voyage of MSEs in Ethiopia has not been an easy ride and still it is behind in exploiting these huge potentials to meet its development objectives.

Research has shown that in order to achieve the contributions made by MSEs and ensures them to grow; it is required to overcome series challenges such as: financial constraints, marketing constraints, managerial constraints, infrastructural constraints and others because they are the common and major factors in making businesses to fail (Okpara, 2011). As Ishengoma and Kappel, (2008) reveals, the factors hindering the potential growth of MSEs in sub-Saharan countries are limited access to credit and market, business services like marketing information, networking, short-term training and these challenges account for the reasons why many MSEs fail/cannot survive and grow . In Ethiopia specifically, MSEs have been confronted in the past by many of these problems as little existing researches shows.

The researcher's literature search shows that to date, very little research has been conducted on the factors constraining the growth and survival of small businesses in Ethiopia in general, and particularly in Burayu and none on this topic. Thus, gaps exist with respect to understanding the problems facing MSEs in Burayu. Therefore, the intent of this study is to identify the factors constraining the growth of MSEs delimiting them to marketing, management, finance and government support aspects.

Given the significance of MSEs to a nation's development in different ways, the researcher, therefore, postulate that recognizing the constraining factors of MSEs' development in Burayu is a critical in managing and avoiding the massive failure of micro and small businesses in this town.

The key research questions:

- What are the internal factors related to marketing and management constraints hindering the growth and survival of MSEs in Burayu town?
- What are external aspects related to finance and government support constraining the growth of these sectors?
- What actions are to be suggested to concerned bodies to overcome such constraining factors in order to make MSEs sustainable and improve their performance?

1.4 Objectives of the Study

The general objective of this study is to assess the factors constraining the growth and survival of MSEs in Burayu Town.

Under this general objective other specific objectives of the study are:

1) To assess the internal factors related to marketing and management practices that constraints the growth and survival of MSEs.
2) To identify external aspects related to finance and governmental support.
3) To suggest actions to be taken by concerned bodies to overcome such constraining factors in order to make MSEs sustainable and improve their performance.

1.5 Significance of the Study

Understanding the factors hindering the growth and survival of MSEs in this town helps policy makers – governments (federal, regional and zone), NGOs, and other stakeholders – to design targeted policies and programs that will actively stimulate innovation, as well as helping those policy makers to support, encourage, and promote MSEs for unemployment and poverty alleviation through minimizing the constraints hindering the growth and survival of the enterprises. For MSEs, this study offers alternative actions to counteract against to the problems identified.

1.6 Scope of the Study

Even though the issue of MSE is currently hot and interesting throughout the county and there are possibility of using various tools, designs, wide geographical areas with many variables and large sample size, this study is delimited according to the variables mentioned in research objectives and assessed accordingly throughout the study. The study was focused on selected MSEs in Burayu town and assessed using descriptive research design through questionnaire and interviews by considering the time, energy and financial resources required to accomplish the study.

1.7 Research Limitations and Future Research

In addition to difficulty during data collections & lack of up-to-dated information from BOTI,the findings of this study can't necessarily represent for other MSEs sectors & similar to these businesses in the country, because the sample is not a representation of the entire MSEs in the country. Therefore, the results cannot be taken as uniform to generalize for MSEs those were not part of this study. The instruments were developed by the researchers based on the literature & limited to descriptive statistical which needs more statistical tests in order to establish a more robust validity and reliability. Thus, the instruments could be further refined to more closely capture each of the problem areas identified in the literature. Replication of this study using larger samples, broader geographic, longitudinal nationwide study is suggested for cross-validation purposes.

2. Review of Literatures

2.1. Overview of Enterprise

Individuals in a community have many and different interests, needs and wants in their lives. It is the role of establishing and enterprising them to identify and satisfy these interests, needs and wants (David and Nyong, 1992; Lussier, 1996; Adam Isaac, 1996). All enterprises provide satisfying rewards for individuals who successfully establish them. Depending on the above idea, enterprise is a business venture or undertaking that brings profit or an idea that is translated into a planned and implemented activity (Gardenne, 1998; Hamilton, et, al. 1998; Kinyanjui, 2000).

There are different terms and classifications of enterprises, in which they succeed, irrespective of their nature, come up with irresistible and valued approaches that contribute to providing solutions to problems, as well as satisfying the desired needs and wants. The key difference between all types of enterprise lies in the rewards they provide. Business ventures provide profits as rewards, while non-business ventures provide other types of rewards which could be either physical or psychological rewards. Enterprising men and women will therefore engage in enterprises depending on what kind of rewards they expect from them (Thiongo, 2005).

Depending on this general overview and to meet the objectives of the study, since most of the time small and micro enterprises share common characteristics, therefore, the small business literature can provide a speculative frame work to guide the investigation.

2.2. Definition of Micro and Small Enterprises

Although the boundaries between micro, small, medium and large enterprises are at best arbitrary, categorizing business enterprises by scale of operation is important for functional and promotional purposes to achieve the desired goals of development (Andu-Alem T. 1997; Kaibori, S., 2001; Solomon, 2005). It is for this reason that different countries adopt different working definitions for different scale levels of enterprises (Amyx, C., 2005; Amenu B., 2005).

Definition is one of the fundamental issues related to Micro and Small Enterprises (MSEs). Micro and Small Enterprises (MSEs) has led to diverse definitions and unresolved debates.

Generally, there is no universally agreed up on the definition of MSEs (Amenu, 2005). Due to this, the meaning of MSE is necessary arbitrary because peoples, countries and organizations adopt different standards for different purposes according to their own working definition. These individuals and organizations have been defining them in a variety of ways using different factors according to their country and organization perspectives. In recent times, there has been some degree of convergence in MSEs definitions particularly in Europe. The European Commission defines MSEs using a combination of employee numbers, annual turnover or balance sheet total and ownership Amyx, C. (2005).

Regardless of country and economic development, there are two approaches to define MSEs i.e. quantitative and qualitative approach. In most cases number of employees, sales turn over and asset size are widely used as yardstick criteria to define MSEs (Beck, 2005; Arinaitwe, 2006; Ayokunle, 2007). However, the convergence does not in any way suggest a common agreement of the specific numbers in terms of these variables. Different governments and writers considerably differ in defining MSEs because of the following two factors (ILO, 2007; Jining, 2008).

The first factor is population and stage of a country's economic development. A definition of MSE in the developed world would differ from how MSEs are defined in developing countries. For example MSEs in USA and Europe if defined according to the number of employees and annual turnover of developing countries, it would be a definition adopted for medium or large enterprise. So, the acceptable figures of number of employees & annual sales turnover differ from country to country, depending on their economic development (Ali & Sims, 2001).

The second factor is industry within which the MSE is competing. The definition of MSEs as perceived above does not take into account the fact that the MSEs sector is diverse. As ILO,(2007) argues, while the convergence in MSEs definitions is certainly a welcome move for the standardization of data collection on enterprises (a major reason for defining MSEs), it does little to help us understand the diversity of the sector. In fact, harmonizing definitions may obscure characteristics that more varied definitions try to draw out. A definition of MSE, even using the abovementioned variables should necessarily take into consideration the industry within which the firm is participating.

When we come to MSEs definition in Ethiopian context, two types of working definitions for Micro and Small Enterprises (MSEs) were used. One was by the Ministry of Trade and Industry (MOTI) and the second was Central Statistics Authority (CSA).

The definition used by MOTI in 1997 has been developed for formulating MSE. According to MSE Development Strategy in 1997/2005, cited in Hailay, (2007); micro enterprises are those business enterprises in the formal and informal sector, with a paid up capital of not exceeding birr 20,000 and excluding high tech. consultancy firms and other high tech. establishments. And small enterprises are those business with a paid up capital of above birr 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high tech establishments.

For the purpose of compiling statistical information, Central Statistics Authority (CSA) categorizes enterprises into different scales of operations on the size of employment and the nature of equipment. According to Central Statistics Authority (CSA ,1995), cited in Eshetu and Bekele, (2008), establishments employing less than ten persons and using motor operated equipments were considered as small-scale manufacturing enterprises. Enterprises in the micro enterprise category were subdivided into informal sector operations and cottage industries: cottage and handicraft industries are those establishments performing their activities by hand and using non-power driven machines. The informal sector is defined as household type establishments or activities, which are non-registered companies or cooperatives operating with less than 10 persons. This un uniform definition is also the current issue because according to Zeleke, (2008), there is a need to have agreed national definition not only for research purposes but also for consistency of legislation and for focusing discussions of policy makers as well as financial and enterprise promotion agencies to tailor appropriate measures to particular sectors.

In light of the above definitions and taking into consideration the Ethiopian situation, micro and small scale enterprises (SSEs) were defined in previous periods in the following ways. Micro enterprises are business activities that are: independently owned and operated, have a small share of the market, are managed by the owner and employing five or less employees. (This has also revised to include employment until 10 workers and capital reaching up to 20,000 birr) and small

businesses are those enterprises that employ 6-49 employees and sharing the similar characteristics with micro-enterprises.

However, since Feb.2011, Ministry of Trade and Industry (MOTI) has adopted official definition of MSE which is different from previous years. The current definition of MSEs in Ethiopia focused on the number of employees that the enterprises hire and size of the capital they own are mainly used as a yardstick to define MSEs and accordingly, each micro and small enterprise is categorized in to industry and service sector.

Micro-enterprise is the business enterprise found in all sectors of the Ethiopian economy hiring up to five man power and 100,000 birr capital for industry and up to five man power and capital of 50,000 birr for service sector and small scale enterprise category, the industry sector includes 6-30 man power and maximum of 1.5 million birr capital and the service sector involves 6-30 man power and capital of 500,000 birr. Under the industry sector there are Manufacturing, Construction, and Mining and under the service includes Retail, Transport, Hotel and Tourism, Recreation, Information Technology and Maintenance are included.

2.3. Micro and Small Enterprises Development in Ethiopian

Although Ethiopia has a long history of artisan manufacturing activity, the development of modern manufacturing enterprises took place mainly in the post World War II period. The evolution of the sector falls into three broad phases: the import-substitution period which lasted from the early 1950s to 1974: the centrally planned economic system from 1974/1975 to 1991; and liberalization and market-orientation since 1991. During the second period, private sector industrial activities, consisting mainly SMEs, were openly discouraged through restrictive policies, including regulations and direct controls that prevented access to credit and imported inputs by private enterprises. During this phase, the number of officially registered small-scale manufacturing enterprises was reduced (Andu-Alem T., 1997; FMSEDS, 1997; Zewde & Associates, 2002).

When the current Ethiopian government came to power in 1991, it inherited a centrally planned economy and faced some challenges similar to transition economies, including private sector development. So far, however, hopes that the economy would transition from being dominated

by low-productive jobs in the state sector to more productive ones in the private sector remain unfulfilled. This lack of good (productive and well-paid) jobs discourages workers from acquiring skills, out of fear that such asset would not be utilized (Assegedech Woldelul, 2004).

Since 1991, there has been significant improvement in the incentive system and the macroeconomic environment with positive implications for manufacturing activities. A liberal investment code has been introduced. Domestic price controls have been removed. The financial system has been partially liberalized. Tariffs have been reduced and non tariff barriers have been removed. A public sector reform programme has also been introduced and one of its main objectives to privatize SMEs that were nationalized in the 1970s. All these reforms have immensely improved the domestic policy environment for SMEs. Gradually, the government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development for MSMEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country.

To this effect, the government has formulated a National Micro and Small Enterprises Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs. Government has gone a step further in its support for small enterprises by formulating strategy by refinements of micro-policies and incentive schemes aimed at promoting learning and technical change at the enterprise level (Assegedech Woldelul, 2004; Amenu B., 2005).

The CSA survey revealed that the number of people earning their livelihood from the micro and small scale manufacturing industries is eight times larger than those engaged in the medium and large scale industrial establishments (CSA, 2005). There are the policies and strategies developed in the past years to create an enabling environment and targeted support for the development of the private sector in general and the MSE sector in particular.

Currently, according to the discussions of Ethiopian New Micro, Small-Enterprises Development Package Design of 2011 national conference held in Addis Ababa , the overall objective of MSEs sub-sector is to play a vital role in national development particularly in the creation of employment opportunities and poverty reduction with complementary of objective of the 5 years

GTP. In another way to address the challenges of unemployment in the country by giving special emphasis to widely develop MSEs sector to ensure accelerated industrial development which is serving as foundation for the country‘s economic growth. As the conference, this will be achieved by providing the comprehensive and accessible support for the enterprises and the government has given priority to the sub-sector in the next five year industrial development plan with a firm believe that the sector is an instrumental curbing urban unemployment problems. Although it was obvious that as there are various challenges hindering the growth and development of MSEs reported, there were proposed strategic directions to tackle challenges in the sector by providing human, technological and financial resources as well as manufacturing and market access, clustering MSEs and delivering industrial extension services were other strategic directions. In addition to these government is aggressively working on developing the attitude and skill of entrepreneurs in realizing the sector's objective through enhancing demand oriented human resources development & technological transformation(Ethiopian Herald, 2011)

2.4. The Roles of Micro and Small Enterprises

In most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high level of training, much capital and sophisticated technology. The micro and small enterprise sector is also described as the national home of entrepreneurship. It has the potential to provide the ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goals (Carree and Thurik, 1998; Etsegenet A., 2000; Ali and Sims, 2001; Paul and Andy, 2002; Trovato and Becchetti, 2002).

In all successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress. The small business sector is also seen as an important force to: generate employment and more equitable income distribution; activate competition; exploit niche markets; enhance productivity and technical change and through the combination of all of these measures, to stimulate economic development (Zewde & Associates, 2002; Kiggundu, M.N., 2002; Trovato, and Becchetti, 2002; Andy and Paul, 2002; Nuno and Santos; 2003).

For Ethiopia, while the importance of large industrial and other enterprises for the growth of the economy cannot be denied, there is an ample evidence that the labor absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and its role in technical and other innovation activities is vital for many of the challenges facing the country (Petersen and Carpenter,2002; ILO,2004;Freel and Robson,2004;Ishengoma,2004; Amenu 2005;Amyx,2005;Gebrehiwot and Wolday, 2005). The rationale behind such an approach is that small industries provide substantial scope for increasing employment as they are labor-intensive, and they require comparatively less capital. They have lesser gestation period and can easily be set up in rural areas or in backward areas. They need relatively smaller markets to be economical and hence they have advantage in being set up as ancillary units. They stimulate growth of entrepreneurship and promote a more decentralized pattern of ownership and location (Bhatia & Batra, 2003; Geoffrey, 2004; Eijaz, 2005, Céline, 2005, Beck, 2005, Gebrehiwot and Wolday, 2006).

The most significant aspect of small industry development is that this sector has stimulated economic activity of a far reaching magnitude and has created a sense of confidence among a huge number of small entrepreneurs about their strength and vitality (Bhatia & Batra, 2003). According to Beck, (2005) the small industries have been growing during the last three decades on account of their significant role in attaining the major objectives as under: removal of economic backwardness, attainment of self-reliance, reduction of regional imbalance, reduction in disparities in income, wealth and consumption standards facilitate mobilization of resources, capital and skills and their optimum utilization, create greater employment opportunities and raise levels of output, income and standard of living; and meet substantial part of the economy's requirement of consumer goods and simple producer goods.

2.5. Constraints Facing the Micro and Small Enterprises (MSEs)

2.5.1 General Perspective of Factors Constraining Micro and Small Enterprises

In most developing countries small businesses face a wider range of constraints and they are unable to address the problems they face on their own, even in effectively functioning in market economies. Several prior studies' theoretical framework for this type of study was based on

classifying the types of decisions needed to start and maintain a successful business and analyzing common problems faced by small business owners. Although (MSEs) are recognized as a major source of innovation, flexibility and growth in the country, on the other hand different surveys and reports indicates there are many challenges facing them and result in hindering their growth (CSA,2005;Michael Decker, 2006 Rasca Lavinia, 2007; Zuzana Brixiova1, 2009, Okpara(2011).

Most of the time the common constraints indicated by different researchers are: attitude of the society towards the enterprises, financial support constraints and lack of access to loans, skills problem to run the business and meet the objectives, lack of smooth supply and availability of raw materials, lack of less working premises, unavailability of markets, unfamiliarity with technology, risk of being vulnerable than big companies and threatened by scarce resources, fierce and increased competition from different dimensions are the major bottlenecks holding back the growth of MSEs

2.5.2 Marketing Constraints

Today it is widely accepted that small businesses are not just "little big" businesses. Rather it is acknowledged that they have their own peculiar characteristics, which affect the way they operate and largely determine their preoccupation and concerns. For MSEs, marketing is that an intuitive approach exists among them and found largely on traditional practices and experiences, where it entirely dependent on the depth of experience and knowledge of owners/managers. Often, planning of marketing activities is limited to planning for "selling" within a narrow industry perspective (Honjo, 2000).

Due to lack of resources and expertise, many small firms do not conduct marketing research, keep customer records, make follow up on their customers and study customers' characteristics and preferences. The first few years of small firms require aggressive marketing of products and services. But, lack of understanding the strategic importance of marketing in achieving competitive advantage, start up firms does not sufficiently market their products and services (Bergin and seers, 2000).

Even though marketing has been widely accredited as one of the most important of all activities and critical for the survival and growth of MSEs), many studies found owner/managers of MSEs as having a very limited understanding of the marketing concept generally to be little more than advertising and public relations and lacking adequate marketing skills. Specifically, problems in promotion and marketing research were frequently encountered by MSEs. These problems include the selection of promotional media, difficulty in getting customers to pay, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers as Trovato and Becchetti, (2002).

Studies show the problems of MSEs on marketing side with lack of linkage between MSE operators, information in the market, available technologies, existing opportunities, etc. Due to lack of market related knowledge MSEs face serious problems because of they are unable to meet the visible growth due to lack of information where the best market areas are located, inability to analyze their respective market, lack of skills to set competitive prices, inability to effectively promote products (Etsegenet, 2000; Mambula, 2002; Carpenter and Petersen, 2002).

They have limitations in using marketing strategy which helps to develop good marketing mix to sell the products through which selected target client/market, studying the client with respect to his/her buying motive and behavior, segmentation of the market using relevant bases, evaluating each of the segments, reaching the target market (Kaibori, S. 2001; Bergin-seers, et,al., 2001; Wiboonchutikula, 2002).

Since the business line of MSE activities in Ethiopia is relatively similar, a lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Furthermore, certain MSEs lack the skill to modify their products and its designs. Most products that are made available by MSEs can also be obtained from medium-sized enterprises that mostly have market advantages in terms of their size and economy of scale (Assegedech, 2004; Lois and Onge, 2005; Longenecker, 2006).

The other most important problem of MSE is in relation to price. This is due to lack of basic costing knowledge; overhead costs are mostly not calculated as expenses; the fact that salaries or

wages of family members involved in production or sales are overlooked as cost product. Not knowing the exact earnings from sales separately during and at the end of the day, family members spend the money earned from sales without recording, manufacturers do not correctly know how much raw material and accessories are required to make one unit of a product. Consequently, some of them sell at break-even or even below cost and do not know whether they actually making profit or not. They express their success only by accentuating the changes they make. While other MSEs tend to overprice their products, with some under-pricing due to lack of costing skills as well as competition, some instances MSEs are forced to sell at any lower price, due to the existence of larger enterprises, which sell similar products with reduced prices(Allan Mulengani et,al,. 2009,Olalekan Asikhia 2010).

In most cases, MSEs have limited means in obtaining effective and relevant data as well as information on market availability that can be obtained from Chambers of Commerce, MSE Development Agencies, associations as well as Trade, Industry and Tourism Bureaux. Nevertheless, MSEs have difficulties in getting their hands on adequate data and information, one of the reasons for this deficit is that many of the centers are not within the reach of most MSEs (MSEDS, 2005; Rahel, Isaac, 2010).

Problems related to the promotion of many MSE are plan on their products. However, their budget is mostly tight and they refrain from undertaking such promotional activities to use the money for other urgent matters even though some enterprises understand that issuing flyers, posters and business cards have promotional values,

The other marketing problem of MSEs is concerning competition between themselves and from middle and large companies , which implies that some larger companies in relation to MSEs have advantages due to selling at reduced price without reducing product quality using economies of scale, customer targeting capacity, proper and intensified product/service advertising capacity, good personal contacts and networks, sound industry reputation, sufficient information regarding existing market and capacity to exploit more market opportunities. The place or MSEs' business location and channel of distribution most of the time face difficult to reach the market and the chosen potential customers.

Table 2.1 Marketing Constraints

Lack of marketing research	Poor location/business site
Little knowledge of customers characteristics	Poor customer relationship
Lack of keeping customer records	Lack of marketing expertise
Lack of follow up on customers	Money to buy advertising space and time
Lack of market segmentation	Misperception of marketing benefits
Lack of product/service marketing	Lack of knowledge of sources of marketing information
Lack of clear pricing policy and Strategy	Poorly trained sales staff
Lack of demand forecasting	Inability to extend credits to customers
Lack of knowledge of low-cost marketing strategies	Lack of knowledge of market

Sources: MSE Development Strategy (1997,) John O. Okpara (2011) Rahel Wasihun, Issac Paul (2010)

2.5.3 Management Constraints

These problems are usually labeled as critical success/failure factors as they are internal to the organization and within its control. These problems need immediate managerial actions and include human resources management, business planning, organizing, and directing. The future of small firms depends on the development and maintenance of human resources in which few highly competent people dedicated to the task, driven by it, working full time and very hard are the successful once. For many firms, the attraction, development and maintenance of successful individuals are a critical success factor even though recruiting new employee is one of the biggest challenges facing small firms, and a key component of organizational success(Chrisman,1989 Hyvarinen ,1990;Hailey,1991; Donckels and Fröhlich 1991;David and Nyong,1992 ;Lussier, et,al,.,1996 ;Yusuf and Attahir, 1995).

Most owners/ managers lack sufficient trainings, they do not have proper management procedures and their concern has remained on daily routine and to keep the business going and

all decision making is concentrated in the hands of owner-manager, innovation activities in the enterprises mostly monopolized by them and gives less motivation for others workers to reveal their potential talents (Riding and Santos, 1990; Nuno Santos, 2003; Hausman 2005).

Various empirical studies have tested the effect of human capital and demographic factors on innovation concerning firms which are led by more educated executives or owners to innovate (Christopher, et.al., 2006; Okpara, 2007; ILO, 2008; Rupasingha and Sergio, 2010) .Robson et al. (2008) found that education of owners, experience, level of skill and knowledge are important factors and has been found to affect innovation activities (Hausman 2005). Mahemba and de Brujn (2003) have also shown that training of workers is associated with higher innovation. As Liedholm and Mead, (1993), McPherson, (19960, Nuno Santos, (2003), Kibas , (2006), Ibrahima Thiam,(2007), the ability of managers to perform activities has very important bearings on the performance of the business.

However, the sources of many of managerial problems in SMEs are lack of education and professional training. Today, owners/managers of small firms must be familiar with many aspects of management such as finance, personnel, sales, production, and so forth. Many studies indicated that entrepreneurs perform poorly in many areas of management such as bookkeeping, marketing, costing, warehousing, stock control, production scheduling, and quality control. The owner/managers in some cases either do not understand financial statements or do not use them for planning purposes cannot not differentiate between personal expenditure and business expenses, and have no accurate perception of their production costs (such as unit cost of labor; cost per unit of capital; marketing cost per unit of product etc.).

It is obvious that inability to evaluate results on continuous basis may result in not recognizing problems at an early stage when changes can be made at reasonable costs. SMEs seldom evaluate organizational progress against plans. This can serve as early warning system by providing clues for further study. Hence, lack of creativity, innovativeness and responsiveness hampers MSEs (Indarti and Langenberg, 2005; Michael B., Samuel M., 2009; Mohammad et, al., 2011). Management skills, lack of occupational experience in related businesses for many MSEs entrepreneurs has been indicated as a constraint to growth (Gurmeet Singh and Rakesh Belwal,2008; Sugato.et,al,2009; Mshenga and Owuor,2009; Okpara,2011).

There is a general lack of an entrepreneurial culture in Ethiopia and, more particularly, for potential and operating owner/managers of MSEs (Woretaw Bezabeghn Assefa, 2010).

Table 2.2 Management Constraints

Lack of formal recruitment and hiring	Dependence on family& relatives for labor
High employee turnover procedures	Lack of well trained employees in the market
Lack of open communication b/n owner/ manager and employees	Lack of clear division of activities and duties
Negligence in developing & empowering employees	Personal problems (health, social etc) of owner/manager
Lack of experienced employees in the market	Lack of experience in running a business
Lack of proper organizational structure	Lack of vision and growth orientation
Centralized one man decision/making	Lack of competitive benchmarking
Low level of standardization of products and services	Lack of evaluating results against plans on continuous basis
Inaccessible/unavailability of training facilities	Overemphasis on short term profitability
Lack of general managerial, experience skills and training	Rigid decision making patterns/ inflexibility
Lack of strategic business planning	Inability to compete with large companies Lack of interest in non-financial rewards
Fear of failure, bankruptcy and risk taking	
High family commitment and responsibility	

Sources: Njanja and Pelissier and Martin Ogutu (2010), John O. Okpara (2011).

2.5.4. Financial Constraints

Financing is one of the crucial elements that determine the development of (MSEs) and necessary to help them to set up and expand their operations, develop new products, and invest in new staff or production facilities. But if they are successful, there comes a time for all developing MSEs when they need new investment to expand or innovate further. That is where they often run into problems, because they find it much harder than larger businesses to obtain

financing from banks, or other financial institutions. Lack of finance was cited as the most pressing need of the MSE sector operators (Nuno Santos, 2003 Nurul and Langenberg, 2005).

The survey further indicated that working capital (necessary for the business growth) was the most needed followed by investment capital (for starting up new business). This is due to most banks do not operate a MSE financing window and low capability of borrower to prepare and present applications that meets bank's requirements. It is too expensive to hire professional services for doing this job for MSE. This is reflection of the lack of information or the perceived high cost of collecting such information on MSE. MSEs have also inability to fulfill the acceptable collateral requirements like fixed assets such as residential houses and vehicles. Thus, rather than focusing their attention on evaluating income streams flowing from an investment project they may focus more on the value of collateral available in the event of financial distress. This creates a problem for small firms in that they often do not have significant fixed assets to secure on in their early years of establishment (Arinaitwe, 2006;Suwastika Naidu, Anand Chand ,2006; Ibrahima Thiam ,2007).

As a result of these and inability of small entrepreneurs to secure collateral requirements, the banking institutions became reluctant to provide them loans. Coupled with absence of other sources of finance other than traditional ones and informal sources, creation of new enterprises and the growth and survival of existing ones will be impeded. Particularly in developing countries like Ethiopia, where the financial market is weakly efficient, there is high information asymmetry between financial institutions and Micro and Small Enterprises (MSEs). As a result, financial institutions face severe problems of adverse selection. That is why access to formal finance is usually difficult for MSEs (Jining, 2008 Eshetu and Zeleke , 2008, Rakesh Belwal, 2008 Ayokunle ,2007 ILO,2008). If SMEs cannot find the financing they need, brilliant ideas may fall by the wayside and this represents a loss in potential growth for the economy. Lack of financial availability and accessibility is cited in many studies as being one of the major barriers and constraints to growth. A loan approved for the applicant by the OCSSC, failed to materialize because land title deeds as collateral. Owning title deeds as collateral to finance expansion is still a hurdle for most entrepreneurs, given that property is not usually registered in their names (Mulu Gebreeyesus (2009). Bowen , Mureithi ,2009;Gebregziabher Haileselasie Gebru, 2009, Dildar and Zafar,2010;Anil and Contreras,2010).

Table 2.3 Financial Constraints

Inadequate credit facilities and sources	Poor receivables and payables management
Inadequately estimated capital requirement	High investment in fixed assets during start-up
Poor cash flow analysis and management	Unplanned withdrawal of cash for personal use
Failure to analyze financial statements	Misperception of turnover as profit
Lack of record keeping and documentation	Underutilization of company assets (space, machines etc)
Poor management of loans and grants	High interest rates on loans
Poor management of inventory	High collateral requirement by lenders
Poor management of cash	Lack/inaccessibility of growth financing sources
Mismatching the sources and uses of funds	

Sources: Gebrehiwot and Wolday, (2006), Gurmeet and Rakesh (2008), Okpara(2011),

2.5.5 Other External Environmental Factors

The environment is defined as the relevant physical and social factors outside the boundary of an organization that are taken into consideration during organizational decision-making. There are several studies on environmental scanning and strategic planning (Riding and Santos, 1990).

The environment as having several sectors that exist in two-layers- the task and general environment. The task environment involves environmental elements that are commonly defined to include competitors, suppliers, customers and technological factors. The general environment refers to sectors that affect organizations indirectly and include economic, political, demographic, cultural, regulatory and social sectors. These sectors are expected to influence the performance of small firms because they differ in uncertainty. Thus, it is critical that small firms be aware of the nature of the environment that they currently face and anticipate facing, and the need to incorporate changes in their strategy formulation and implementation.

Environmental scanning is the means through which managers perceive external factors, events and trends. As managers in small firms have limited cognitive capacity to comprehensively understand the environment (Robinson and Pharr, 1991), they must find scanning mechanisms that yield adequate information displays of external events. While a number of studies (Gray and Lutabingwa, 1997; Hamilton, 1998; Honjo, 2000) have explored the fit between organization and environment, there is less knowledge, particularly in small firms, about how impressions of the environment are formed among owner/managers who are responsible for responding with new strategies and approaches.

Although it is beyond the control of small firms to change the supply base, the economic trends, the direction of competition, the purchasing power of buyers, technological changes, inflation, market size, culture, trade union, labor legislation etc… they must be able to proactively respond to all changes. But, most SMEs are reactive to changes in their external environment. Moreover, there are many socio-cultural factors in Ethiopia impacting negatively on the upbringing of MSEs (Etsegenet, 2000; Esther and Ishengoma Kappel,2008; Mutuku et al., 2006).

2.6 Some Sub-Saharan Countries Experiences on Constraining Factors of MSEs from Empirical Evidences.

In Kenya according Allan M. Katwalo and Fredah G. Mwiti (2009), there are various reasons for the failure of MSEs like: lack of supportive policies for MSE development, intense competition with replication of micro-businesses, unavailability of funding, manager characteristics including lack of skills and experience, marketing techniques used including quality of service and markets served. The cases also demonstrated that MSEs experienced most of the difficulties cited such as limited skills in business management and even more limited funding, facing intense competition in the niche market served. It was also made clearer that MSEs used social networks to access some funding and to retain their customer's loyalty. However, where the policies to support micro businesses remain largely rhetorical, the question of survival and development for micro and MSEs remains a question of individual ingenuity.

In Nigeria according John O. Okpara (2011), the most common constraints hindering small business growth and survival in Nigeria are lack of financial support, poor management,

corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services.

As Nurul Indarti and Marja Langenberg(2009) reveals , factors affecting MSEs in Malawi are marketing problems, unfamiliarity with technology, no information access, lack of entrepreneurial readiness ,social network ,legality, capital access, lack of government support, lack of knowledge in preparing business plan.

In Uganda as Esther K. Ishengoma and Robert Kappel(2008) findings show limited access to credit and market, business services like marketing information, networking, short-term training are the major factors inhibiting MSEs in the country.

According to ILO (2003) Women in MSEs of Tanzania faced difficulties in obtaining appropriate amounts of funding to finance their growth plans because of collateral requires needed, lack of awareness in joining associations, lack of marketing, information and advisory services, bureaucracy, unfair competition, harassment and corruption by licensing and tax officials, perceived unfair tax levels and tax enforcement procedures.

According to Iddi Adam Mwatima M. (2006), Small businesses in Ghana face many factors inhibiting their growth like lack of demand of products because disability to qualify orders in meeting customers in terms of quality, consistent quantity and on time delivery and therefore face a lack of demand, lack of establishing personal contacts and good networks, and having a good location for the operation, limited access to finance, limited access to fixed capital and working capital as major constraints to start and expand the businesses, limited access to raw materials , high and unfair competition, lack of water and reliable and cost-efficient energy, transportation problem, limited access to markets, lack of appropriate machinery/technology and storage difficulty with packaging

The findings by Arinaitwe, J.K. (2006) indicate that MSEs in Ivory Coast face the following challenges, like, competition, insecurity, debt collection, lack of working capital and power interruptions were the top five cited challenges facing businesses in addition to lack of access to credit, cheap imports, awareness of markets, technology, policies, regulations limited because businesses fail to receive timely business information.

3. Methodology

3.1 Research Design

To achieve the aforementioned objectives, the study was employed through descriptive design in which both quantitative and qualitative data analysis was used to produce richer and more complete information.

3.2 Sources of Data

The study was conducted by gathering secondary data from various sources researches and international journal articles like by John O. Okpara (2011) classifying problems facing the growth and survival of MSEs in Africa into four broad categories as administrative, operating, strategic, and exogenous problems by classifies the types of decisions needed to start and maintain a successful business and analyzing common problems faced by small business owners. Research papers conduct locally, important books related to MSEs(in case of Ethiopian), newspapers, electronic Medias, Oromia regional Manuals for MSEs, Federal MSEs Development Packge manual were referred for further reading and to explore constraining factors of MSE. Primary data was collected from MSEs owners/manger and concerned bodies using questionnaire and interview.

3.3 Methods of Data Collection

Secondary data were collected through reviewing important literatures and articles, of Oromia Regional Government MSEs Development Package manuals of, FeMSEDA manuals of different years, depending on the topic. Questionnaire and interview were the tools through which the data was collected from participants. Questionnaires were used mostly with close-ended and open-ended as the main instruments in assessing constraining factors. In this study mostly the questionnaires were used because of its convenient to reach wide participants and appropriate to get relatively uniform data regarding the research problem and with the given resources. Also concerning the design of the study where the sources are varied and widely scattered it was selected as major instrument for data gathering. Data collections through questionnaires was selected due to there are different strata's in the population and to identify different confronting

situations influencing the enterprises' operation of these strata. The questionnaires include different variables expected to identify the challenges. The questionnaire was prepared in Likert scale format and was selected due to it enables respondents to understand and answer the questions easily.

The other data collection used was interview in which key informants selected purposively and interviewed to provide insights to the problem of MSEs from each sectors especially those are operating by forming themselves in groups; and MSEs Bureau, Trade and Industry Bureau , Oromia Saving and Credir Share Company were interviewed concerned bodies.

3.4 Sample size

As Trade and Industry Bureau of Burayu shows, there are relatively 1250 MSEs operating privately and cooperatively under eight sectors selected for this study as listed on Table 3.2. As a criteria of selecting these sectors the researchers paid attention on formality of businesses i.e focused only on the sectors that are registered and licensed formally and currently operating under Trade and Industry of Bureau, their benefit from or face threat of failure with the necessary aspects for small business developments listed under the objectives of the study for they are required in smooth operation of small businesses and all selected sectors are responsible to use these aspects than others. Depending on the variables listed under the objectives of the study, the sectors can be fostered with availability of the aspects or inhibited with lack of them. Accordingly, from this total population the sample size was proposed and questionnaire was distributed for 100 owners / managers of MSEs depending on Table 3.1. However, from these distributed questionnaires, only 78 questionnaires were filled and returned back on time having 78 percent response rate.

3.5 Sampling Method

The research was employed through stratified random sampling in selecting the representatives following the method of proportional allocation under which the sizes of the samples from different strata are relatively kept proportional to the sizes of the strata. The sample for this study consisted of owner and managers of MSEs in responding the questionnaires and 100 MSEs samples were selected as representative of the total population of 1250. Questionnaires were

distributed to randomly for a total of 100 MSEs according their strata after their stratification in to their homogenous sectors categorizing in to eight sectors (the sectors were chosen at random from their strata in which they are categorized).

In determining the sample size (100 MSEs) from total population of 1250, Malhorta Naresh, Marketing Research: An Applied Approach, (2007) was used to select the fifth stage consisting 501-1200 with high sample size. Although it is possible to follow the six stage (1201-3200) with sample size of medium i.e. 125 similar to the fifth stage of high sample size, the researcher's tendency sample determination to use the fifth stage was focused on the guessing that depended on the justification of the study in which there is rumour that more than 200 MSEs stopped their operation after registered and start the operation. it was believed that at least 50 of them might be from these eight selected and 100 sample size was believed by the researcher to be used as representative of the population because of the sectors under similar stratification have homogenous characteristics in operation and have common environment in which they exposed for similar problems.

Table3.1 Sample Determinations

Ποπυλατιον Σιζε	Σαμπλε σιζε		
	Λοω	Μεδιυμ	Ηιγη
51–90	5	13	20
91–150	8	20	32
151–280	13	32	50
281–500	20	50	80
501–1200	*32*	*80*	***125***
1201–3200	50	***125***	200
3021–10,000	80	200	315
1001–35000	125	315	500
35001–150000	200	500	800

(Source: Malhorta Naresh, Marketing Research: an applied approach, 2007)

Even though there are many and different types of MSEs in Burayu, eight different types of sectors were selected depending on the common variables to be assessed as mentioned above depending on the objectives and scope of the study. These samples were selected from each stratum using relatively proportionate allocation in relation to the percentage of total population.

Table 3.2 Types of Businesses

Type of business	Population	Number of responses by samples	Percentage of total responses
Block Factory	128	8	11.5
Metal and Wood Work	193	12	15.4
Construction	112	7	8.9
Barber and Beauty Salons	160	10	12.8
Retail and Whole Sale	241	15	19.2
Building materials dealers	144	9	11.5
General Glass & Frame Works	80	5	6.4
Cafeteria and Restaurants	192	12	15.4
Total	1250	78	100

(Source: researcher's survey)

3.6 Instruments

The two main types of questions used as an instrument used to collect data through questionnaire tools are the demographic questions developed to gather information about respondent's gender, age, education qualification and year experience and business questions developed consisting 27 items in which 2 of them are concerning main source of capital and skill, two items are concerning changes in number of employees and sales volume, and the rest items are related to common problems facing micro and small enterprises of developing countries which was based on the literature. The statements were phrased with a possible response continuum based on a Likert-style of five-point scale (1 strongly disagree to 5 strongly agree). In addition to these instruments the qualitative two-question instrument was developed to evaluate and also mostly

explained more during interview. The first was how well a firm did this year compare to last year and the second was overall how well it did versus leading competitors or similar firms in the industry. These two important questions result in a subjective rating of performance. However, given the difficulty of obtaining accurate financial information from the respondents, with many of them refusing to release such information, the researcher used subjective financial information which was used to get information since some of them lacks recorded information/ not clearly knowing it and others were not willing to tell their objective financial information. These questions helped to see the performance of the firms even though there is no objective information is available to compare /show their current profit or volume of sales compared to last year.

3.7. Analysis of Data

Before analysis of the data collected using primary sources (especially through closed –ended questionnaires), they were checked for accuracy, utility and completeness, compatibility with the purpose of the study and the interviews & open-ended questionnaire responses were also organized in away to complement/supporting the quantitative analyzes after they were arranged depending on the intended objective and responses accepted.

For the purpose of reducing chance of confusion of questionnaires and ensuring those for validity and correctness some pilot tests were taken by distributing the questionnaires and some irrelevant and redundant questions were reduced before actual distribution of the questionnaires.

The data gathered through closed- ended questionnaires were analysed and presented using descriptive statistics, through figures, graphs, tables and percentages. And the data collected through open-ended questionnaires and interview also analyzed qualitatively by supporting the quantitative analysis.

3.8 Theoretical framework

The theoretical framework for this study was mainly depended on Okpara(2011) which is the result of several prior studies by (Okpara and Wynn, 2007; Tushabomwe-Kazooba, 2006; Harris and Gibson, 2006; Eeden et al., 2004; Goedhuys and Sleuwaegen, 2000; Mambula, 2002; Chrisman and Leslie, 1989; Ansoff, 1965). The base of his framework that he developed was adapted from Ansoff's (1965) framework for classifying the types of decisions needed to start and maintain a successful business and analyzing common problems faced by small business owners. This framework categorized small business constraints as administrative, operating, strategic, and exogenous. Administrative constraints focus on the organizational structure and its capability to obtain and develop necessary resources. These problems include personnel, finance, and management issues. Operating constraints deal with issues of allocating resources in an efficient manner and are more common in the functional areas of a business. Examples include marketing, operations, and inventory management.

Strategic constraints involve the ability of small business owners to match their product or/service with the demands of the external environment. This requires that business owners understand the nature of their business and the needs of their customers. Business owners with strategic issues will need assistance with general management and marketing issues. Another area that has been identified in the literature, which is particularly important to small businesses in developing countries, the area of exogenous constraints. These constraints include infrastructure issues, corruption, technology, and demand conditions. Depending on the above theoretical framework the researchers had tendency in seeing the four basic business activities in small enterprise under marketing constraints, management constrains as internal factors and the other exogenous variables as financial constraints and government support related constraints.

4. Results and Discussion

This chapter deals with presentations, discussions and interpretations of the data collected through questionnaire and interview.

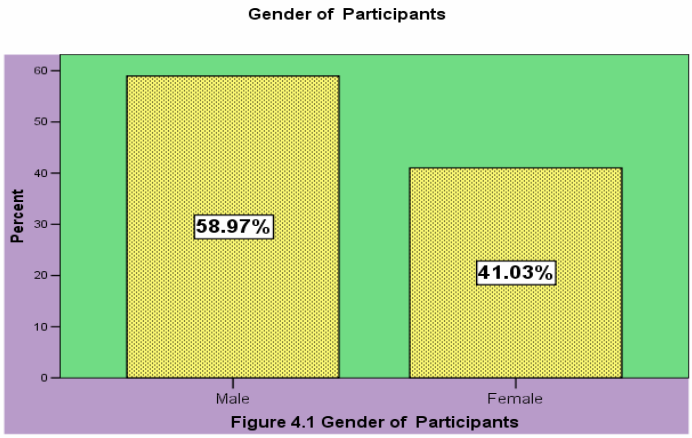
The main objective of the study is assessing the factors constraining the growth and survival of Micro and Small Enterprises (MSEs) in Burayu. Questionnaires and interviews were the tools selected and used throughout the analysis of the data using SPSS. To collect the data through questionnaire, 100 questionnaires were distributed to MSEs in Burayu and 78 of questionnaires were returned back with completely filled and significant responses. The returned questionnaires have 78 response rate and hoped sufficient to analyze the data with it. In addition to questionnaires, interviews were conducted with some selected MSEs Owners /mangers, MSE Development Bureau, Burayu Industry and Trade Bureau, OCSSC.

The data was analyzed using descriptive statistics with figures and tables using frequency, percentage, mean and standard deviation. All expected factors for the activity of business were asked negatively (lack of these factors are exist in the business) using likert scale through which respondent shown their level of agreement. The identified factors were expected that their limitation can affect the normal operation of small business and growth. Factors with high mean values in the tables indicate foremost obstacles facing MSEs and also its effect too. All questionnaires were used as they consists factors constraining the growth of the MSEs.

4.1 Gender of Participants

Like other country, in Ethiopia both females and males are operating in MSEs at different positions as owners, managers or employees. However the percentage of their involvement in such enterprises is not equal. According to Federal MSEs Development Package, there is difference between males and females participation in MSEs.

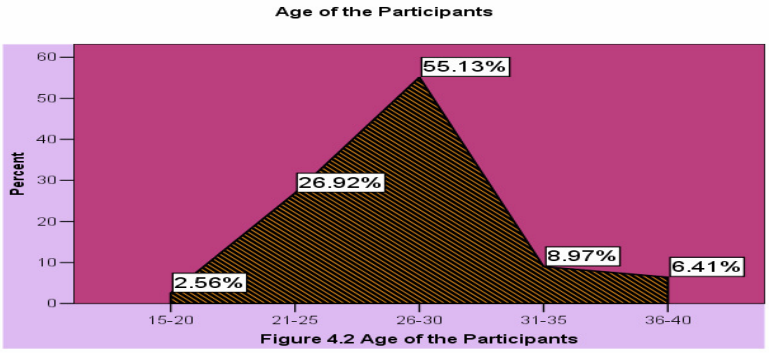
Depending on Figure 4.1, 59 percent of total sample are males and the rest 41 percent are females. This percentage is relatively consistent with the MSEs business environment in Ethiopia in which 34 percent and 66 percent of Ethiopian MSEs beneficiaries are female and male respectively as current Federal MSEs Development Package.



(Source: Researcher's Survey)

4.2 The Age of Participants

Different individuals with different age groups can join similar work environment. However, in some activities individuals can have or not equal chance to participate because of their age. Concerning this idea, MSEs are not much far from this truth in which different age group individuals (children's from shoeshine) to higher enterprises can involve in working either individually or cooperatively for the objective of getting bread to survive and to be millionaires instead of sitting and waiting hand others.



(Source: Researcher's Survey)

As it is presented in Figure 4.2, the researcher divided respondents' age into four age groups ranging 15-40 years. Accordingly, 43 or 55.1% of the respondents fall between 26-30 years old, whereas, 26.9 percent of respondents' age is between 20-26 years. Only 2.6% or 3 respondents

are found between 15 and 20 years old. Whereas, 7 or 9 percent are between 31-35 and 5 or 6.4 percent of them have above 36 years age. This shows the majority of respondents are between ages of 20 and 30 years in which they are active work force ready to act where there is comfortable situation is prepared for them because of they are in adult age and have many responsibilities in the future. Also they are the age group expected to imitate and flexible according to the environment.

4.3 Educational Qualification of Participants

In Ethiopia, during past times it was believed that individuals working with MSEs are poor and have no chance for education because of their family background. In most cases individuals who migrated from rural to urban area are without educational background and forced to work under the control of many owners to work blamed activities for owners' children.

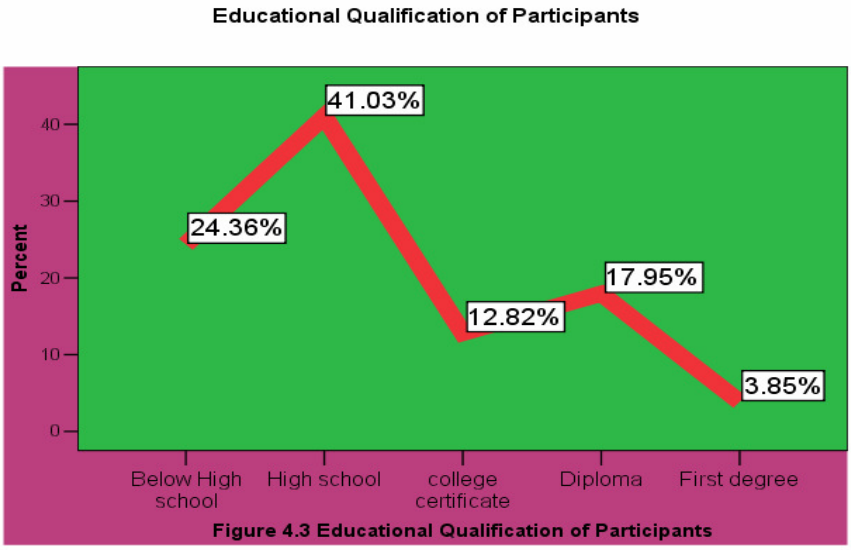


Figure 4.3 Educational Qualification of Participants

(Source: Researcher's Survey)

As Figure 4.3 indicates regarding to educational qualification, 24.4(19) percent of the respondents' education is elementary, 41(32) of them are high school level, 12.8(10) have college certificate, 17.95(14) percent had graduated in diploma, 3.85(3) percent are first degree holders. This figure indicates most participants are relatively educated individuals reached high school level. Mostly, in Ethiopia participants of MSEs are individuals those who do not have job

before joining the business and as this figure indicates the level of education of most participants is high school which implies students taking the National Examination of grade 10 and lost chance to join preparatory school are forced to seek the job. These groups do not have business course back grounds since Educational Curriculum Policy of Ethiopia starts business courses in preparatory. Even though educational qualification didn't aimed to be assesses in the study, it implies lack of business knowledge have impact on owners business.

4.4 Year of Experience of Participants

As sex, age and educational qualification of individuals are different; individuals also differ in their work experience durations. Respondents were asked to indicate the experience year they have in business activities and the data collected shows on the following Figure 4.4.

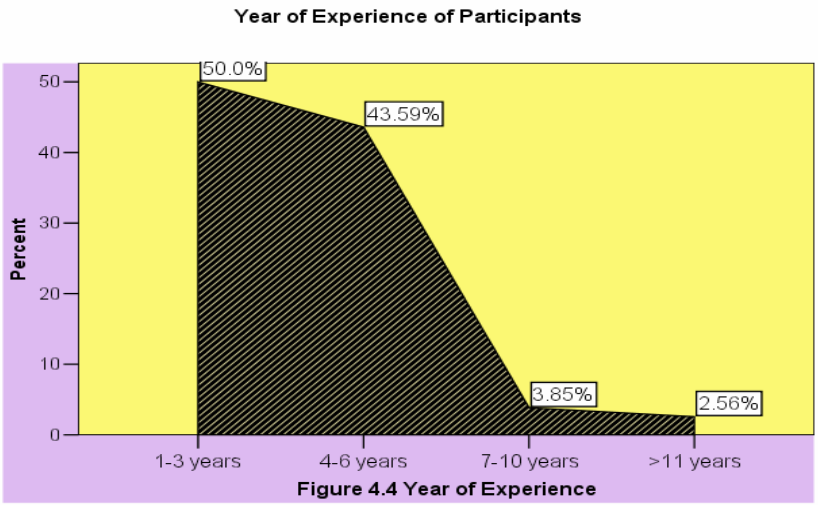


Figure 4.4 Year of Experience

(Source: Researcher's Survey)

As graph 4.4 indicates, most of the respondents surveyed (39 participants or 50 percent) have 1-3 years of experience, 34(43.6 percent) of them have 4-6, 3(3.8percent) have 7-10 and 2(2.6) have more than 10 years of experience in the enterprises. Even though individuals can learn more from their experience that can help them to predict and flexible according the opportunities in the environment, can learn more from the colleagues in planning and in creating relationship with society/customers consuming their products, most respondents of MSEs have 1-3 years in

which their experience of year has impact on their business where many studies indicates there is relation sip between experience and business performance.

4.5 Major Source of Initial Capital of MSEs during Start-up

Finance is one of the critical requirements for start-up, survival and growth of business firms even though different firms most of the times fail to distinguish between long and short term financing needs and to find appropriate sources. Thus, as individuals cannot join businesses with empty mind, they also need have some sources of finance that helps them to start the business. The sources of this finance can differ from one another depending on different factors. From the major possible financial sources of start-up of businesses in Ethiopia, informal sources were the highest in the past for different individuals operating as private. Also currently micro finances are one of the major sources of finance for individuals working in cooperative. Figure 4.5 shows the major source of initial capital of these enterprises.

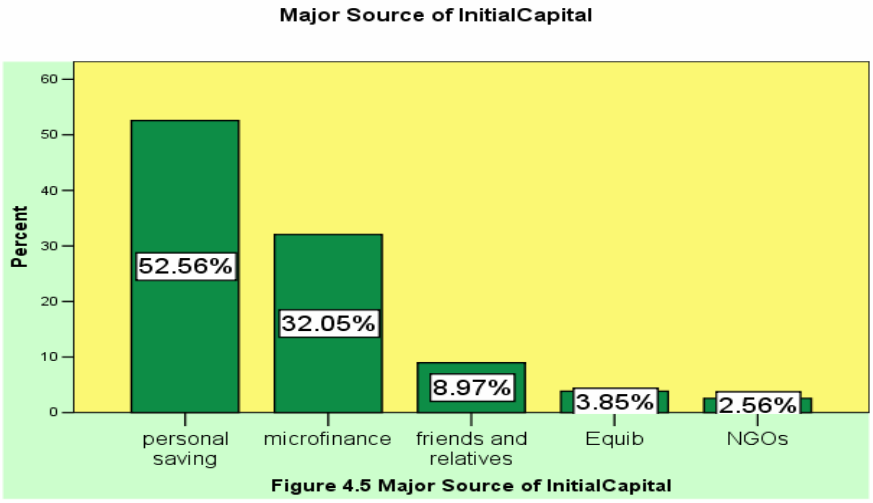


Figure 4.5 Major Source of InitialCapital

(Source: Researcher's Survey)

Respondents were asked to identify their foremost source of initial capital during the establishment of the business and cconcerning this, as shown on Figure 4.5, the main source of initial capital for 41(52.6 percent) MSEs' to start their business is personal saving. For others the key source of finance to start their businesses is micro finance for 25(32.1 percent), friends and relatives was others source for 7(9 percent) respondents. An informal institution such as

Ekuib was the main source of initial capital for 3(3.8 percent) individuals and NGO was the major initial capital for 2(2.6 percent) individuals.

This implies the main source of finance for MSEs in Burayu is personal saving. Previous studies by (Etsegenet, 2000; Tegegne & Mulat, 2005; Mulu, 2007) show that informal financial source, especially personal saving and loan/assistances from relatives or friends, are a major source of initial capital for about 75% of their sampled MSE operators. Also this study supports that many of MSEs' chief source of initial capital is personal saving and followed by borrowing from financial institution for those can fulfil the requirements.

4.6 Main Source of Participants' Skill

Skills are invaluable and ingredients helping the businesses to win the game of competition through smoothly working to achieve their objectives to be mutually benefited with customers. Individuals can get these skills from different environment either through formal education or informally from the society in which they are dwelling and working with.

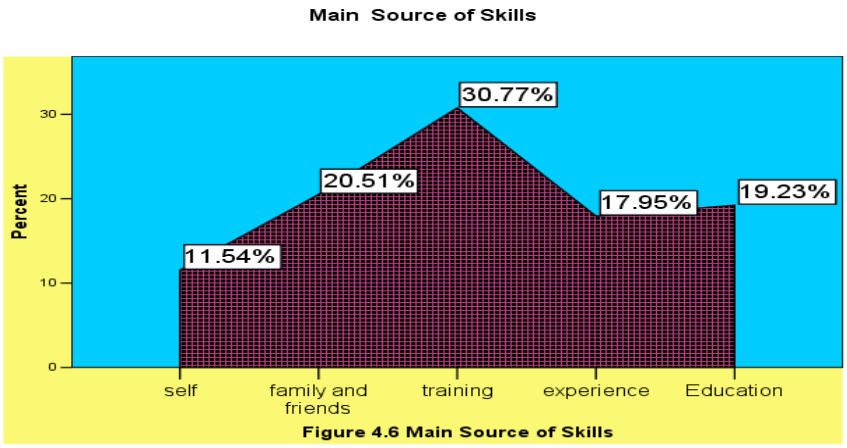


Figure 4.6 Main Source of Skills

(Source: Researcher's Survey)

Figure 4.6 indicates training is the major source of skill for most participants demonstrating 30.77 percent of other sources. Society's approach to education of young people in terms of taught values, self employment skills, attitudes and forms of learning is a crucial factor for entrepreneurial activity. Skill training has precisely to match market needs. Consistent with this objective, the participants reflected that the training they have attended has positive impact on

their business. Particularly those who attended the TVET program have also mentioned the training that they have received was very important for their business. When asked about the specific subjects that helped them to run the business, entrepreneurship, business management and book keeping were mentioned by the majority of the participants in all sessions. Technical skills, business management and book keeping trainings which are very important for MSE entrepreneurs were given for most of those in the cooperative business as part of MSE promotion program. But they indicated that it was only an introductory training and focuses on theories that can't be applied to practical jobs.

4.7. Employees Number in the Enterprises

Employee fluctuation is one of the indicators of the growth in which many researchers used in MSEs. Because, most of the time, MSEs do not have accurate records which show their growth like net profit, market share, productivity, sales turn over etc. However, they can easily tell the fluctuation of employees in their enterprises. But it does not mean that employees fluctuation is always the most appropriate indicator of growth because the growth of MSE is a dynamic phenomena and a full of heterogeneous.

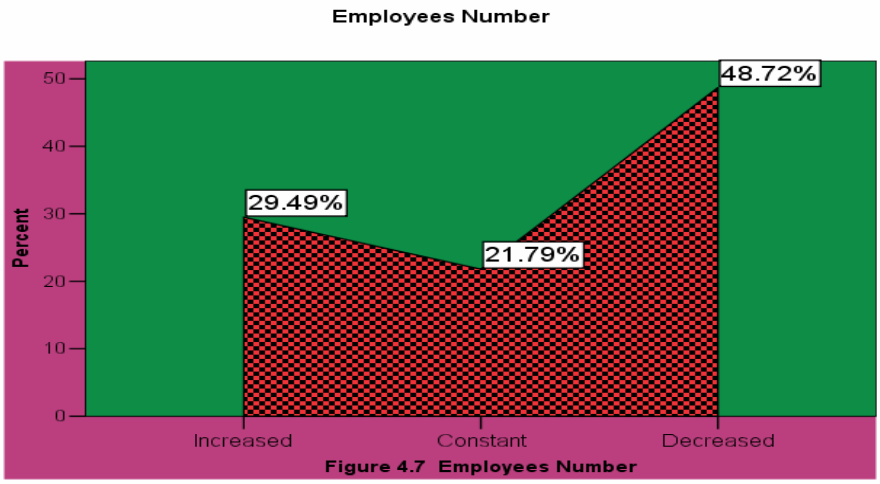


Figure 4.7 Employees Number

(Source: Researcher's Survey)

Figure 4.7 indicates the selected samples in which 48.72 percent of participants responded as employees are decreasing and 29.49 of them replied there is increase in number of employee in their business. 21.79 of them responded the employee's number is constant. This indicates most

MSEs growth concerning employees is decrease. Since employment creation is one of the major roles of MSEs and increase of number of employee is one of the indicators of growth, this figure indicates as many MSEs standing at opposite side of this. When the number of employees increases it may be due to the increase of work/ expansion of the business, increase of customers and these employees need salary which shows as firms have ability to compensate them financially that indirectly shows increase size of the firm. This implies most of MSEs are not showing growth.

4.8 Lack of Marketing Related Information

To understand what is happening inside and outside the enterprise, it needs reliable marketing information that helps the enterprise to closely monitor and act according to its environment. Marketing activities are one of the most accredited and imperative factors affecting small business achievement. Availability of marketing related information on the environment and internal realities of MSEs help them to effectively tapping of market opportunities and defence against emerging markets. The firm also can adjust its products and service to the needs and tastes of customers through marketing information. The quality of marketing decisions is decided to a great extent by the quality of market information available to decision makers. Even though it is not simple to provide all aspects of the market information on regular prices, on supply and demand, on buyers requirement, etc can be provided to MSEs if the system is established. When such a system is established, not only regular information but information on future could also be supplied to MSEs (Kaibori, S., 2001; Assegedech Woldelul, 2004; Stevenson and Annette St-Onge, 2005).

Figure 4.8 shows respondents response on lack of market related information since in most cases, MSEs have limited means in obtaining effective and relevant data as well as information on market availability that can be obtained (Okpara, 2011) from different commercial related associations or institutions.

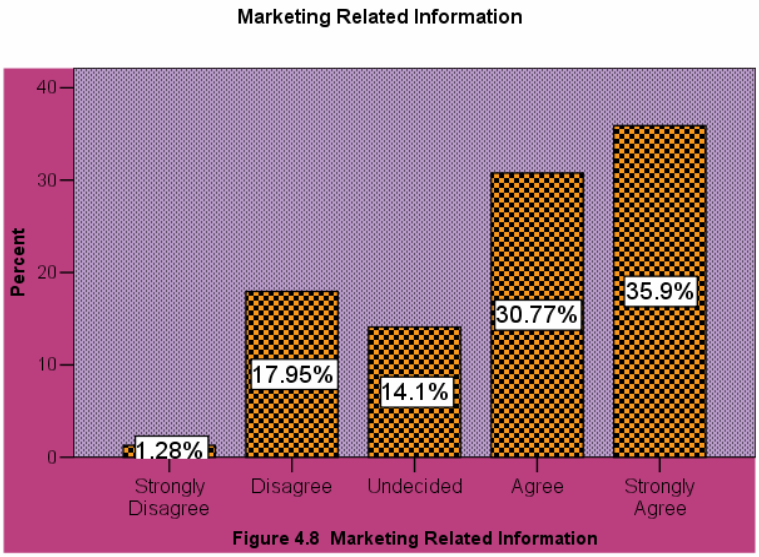


Figure 4.8 Marketing Related Information

(Source: Researcher's Survey)

Depending on Figure 4.8, participants provided their responses in different level of agreements focusing on lack of market related information in their businesses. Accordingly, most of them strongly agree as there is lack information in their enterprises by representing 35.9 percent of the sample and on the same way 30.77 participants agree as there is lack of market information in the business. In contrast 17.95 percent of them disagree and 1.28 strongly disagrees. 14.1 percent of respondents response show as their response is undecided.

From the response of the respondents it can be possible to conclude that most MSEs have problems concerning marketing information. In addition to this, the data from interview also support the response of most MSEs responded. As the researcher has informed most sources of marketing information for MSEs are from Chambers of Commerce, MSE Development Agencies, associations as well as Trade, Industry and Tourism Bureaux but MSEs do not have integration with them.

Even though marketing activities are one of the most recognized and important factors affecting small business success, it is one of the major problems of all MSEs because most of them have very limited knowledge of the marketing concepts and skills (Thiam, 2007).

Lack of market related knowledge and information is a serious problem that most of MSEs face. For the reason that they have lack of information where the best market areas are located, inability to analyze their respective market, lack of skills to set competitive prices, inability to effectively promote products, they face great challenges. Because, it is not the simple activity to have customer relationship, keeping customers' record, making follow-up on customers behaviours, improving knowledge of their characteristics, understanding the market complexity and having adequately trained staff. Consequently, they unable to meet visible growth and lack power to survive in the market (Bowen and Mureithi, 2009).

The study shows that most of them (more than 64%) of the business owners agreed as MSEs have poor market related information. Many of the MSEs in the town sell their product /services to a limited local market and very few of them sold in Ethiopian regional markets. Since marketing is strategic behaviour and prize for the marketing-oriented organization, it serves for survival and profitability, focusing on customer satisfaction. This can be accomplished through marketing strategy that is designed to meet the needs of customers through distributing to different areas that can help them to get opportunity of increasing market share.

The implication is that if there is lack of market information in enterprises, they fail to produce the product that is currently demanded in the market with fair price, required design and quality to meet the need of customers. If the enterprise and outside environment cannot meet each other through effective market information, the enterprises cannot hope to stay in the market and show growth to higher ladder. From these it is possible to generalize that if there is lack of market information in the enterprises, the enterprises growth and survive can be in doubt to guarantee for future operation.

This is because marketing information is imperative for firms to know what type of products or services would be profitable to introduce in the market and with respect to its existing products in the market, good market information enables a firm to know if it has been able to satisfy customer needs and whether any changes need to be made in the packaging, delivery or the product itself. This enables a company to formulate a viable marketing plan or measure the success of its existing plan. Lack of sufficient market information poses a great challenge to small enterprises since there is vast amount of information and only lack of knowledge to

interpret and connect with one another, small enterprises entrepreneurs lacks this. The fact is that any firm can't have a successful company without having the right data about customers, products and the market in general and hence, market information is an essential management tool for a viable business plan enabling any company to survive and thrive in today's fiercely competitive market conditions.

4.9 Product Improvement

Enterprises in MSE market tend to compete for the same products and customers. The magnitude of this hindrance is higher for those concentrated in one area as they tend to apply a copy cut strategy and thus produce similar products. This limits their potential growth and stability which is one of the reasons why MSEs experience a relatively high instance of down fall as findings by Ishengoma and Kappel(2008) indicates. There are many dimensions in which product improvement can be made. Sometimes ideas can come from customers when enterprises allowed themselves to listen to customer complaints. Even though continuous product improvement asks entrepreneurial skill, spending of money to use different mixes, it ensures enterprises to compete and competent in the market and initiating in product improvements helps to meet changing market needs.

Firms can improve their competitiveness through product development and improvements in production techniques or processes. However, this upgrading cannot be implemented easily at any time when required. Instead it requires access to market information how and why it will be improved, what technology and who is required with it, how much finance is required, must get answers in advance. However, product improvements are integral to sustained competitiveness through enabling firms to meet the market's constant demand (Hussainand and Yaqub, 2010).

Figure 4.9 shows respondents' response with reference to enterprises limitation in improving their products. Concerning the response of respondents, 34.62 percent of them strongly agree as they have limitation in improving their goods or service from time to time. Also 30.77 percent of respondents agree as they are not improving their products and 21.7 percent of respondents' response show undecided. Small number of response was given by MSEs as there is product

improvement in their business with 10.26 percent and 2.56 percent responded they agree and strongly agree as there is product improvement in their business respectively.

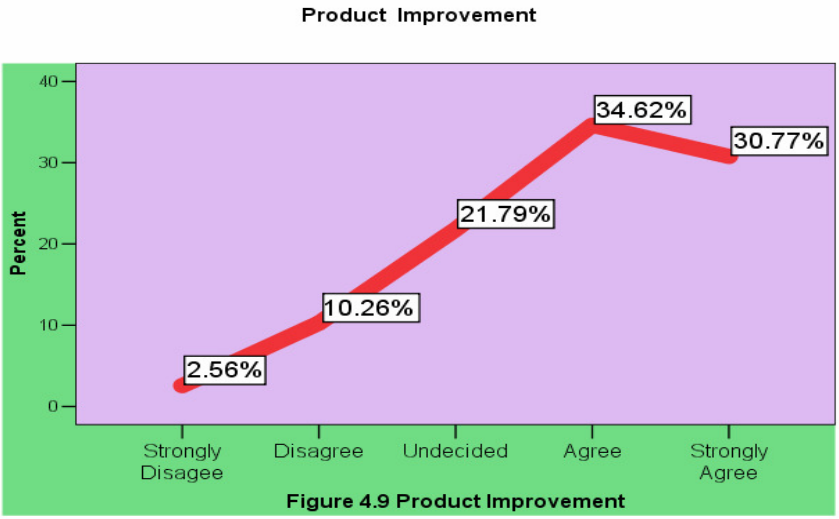


Figure 4.9 Product Improvement

(Source: Researcher's Survey)

However, in the free market businesses are not free from competition and one want to be better than the others by improvements made to its product. Thus, in this fierce competition businesses are expected to have some competitive advantage in improving their products from time to time according to the need of customer by innovating new design on existing product to satisfy need of customers and attract more customers those who are outside of the fence. This is because most of the time MSEs are expected to be flexible in improving their products than that of large organizations.

The temptation of MSEs is strong if there are no improvements to their products. Because, successful product is more important than ever before and need to continuously improved as technology is changing rapidly and products are developed, get adopted, and are replaced by better products at a fast pace. This makes firms to continuously offer new choices for consumers in the marketplace which is essential for them to remain competitive with companies all around them. Although small firms might be successful by offering only one product, it requires them continuous improvement and flexible as the need of customers not to lose them. One of the firms' success or failure is related with their products because it is a main reason why the

business established is providing products for customers and getting benefits from it. Products must provide a significant and perceivable benefit to a sizable number of customers and one of the most common reasons a product fails is failure to match with offerings to customer needs due to absence of improvements.

Thus, the flows of customers depend on the products that can satisfy their needs according to market environment and if their loyal producers are laggard in improving products, the customers turn their face to other producer nearer to the town. In addition to this, MSEs are characterized in flexibility to match their products with environment to increase their sales and gradually make profits that represent their growth. In contrast to this, as Figure 4.9 shows, MSEs in Burayu have limitations of improving their products. Even thought it requires study why they cannot improve, it can be possible to conclude that lack of improvement in products affects the firms' growth because most respondents' response depicts there is lack of product improvement in their enterprises & not improving the product cause loose of customers.

4.10 Setting Clear and Competitive Price for Products

The strategy of setting and applying price for products in the market must be based on the study. However, under-pricing or over pricing without studying the market can be a dangerous. Since a small decrease in cost structure leads to high improvement in profit, the best tactic would be to minimize costs. With due consideration to the profit margin, temporary price reduction can be used as a strategy to increase sales or to sell products in high stock. Reduced of fair announcement encourage customer purchasing larger quantities. The pricing strategy has to regard the profit margin. In view of this fact, the volume of sales has an important meaning. Some enterprises focus on unit sales and not too on profit margin, which is risky. The price which is the most common strategic element of marketing is a valuable tool to attract customers as well as to try to sell the product. To attract customers, some enterprises offer some related schemes of reduced prices. However, this should only occur for a given period of time. Price reduction does not have to be as low as throw –away prices.

Figure 4.10 depicts, 38.46 percent of respondents responded that they strongly agree with lack of setting clear and competitive price for their products in their enterprises. In the same way, 25.64

percent of them also agree as they lack setting right price and 26.92 percent of respondents gave neutral response.

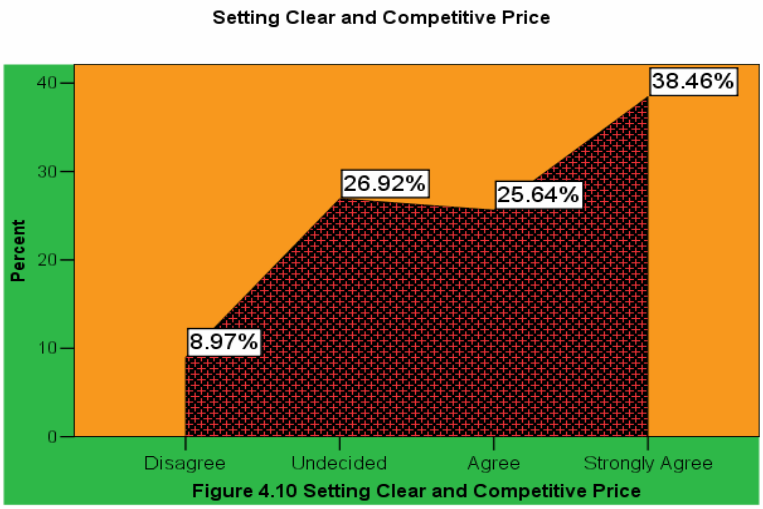


Figure 4.10 Setting Clear and Competitive Price

(Source: Researcher's Survey)

However, very few respondents or 8.97 percent disagree with lack of setting clear and competitive prices for their products in their enterprises.

This finding supports that as many studies conclude, the problem of pricing is prominent among the reasons for MSEs failure. This is because of owners lack the capacity to ascertain best prices and they tend to operate at high prices in relation to medium and large scale enterprises. This tends to away most customers to their competitors who are operating at lower costs. And on the other hand they do not consider different costs related the productions of the product like direct costs and staff salaries, time and other fixed costs like light, phone, furniture and computers those must applied to the cost of products and services. Consequently, there will be mismatch between product's benefit and priority given to customers.

When firms lacks to select a pricing objective and to determine a pricing strategy for their actual products, they cannot fit with changes in marketing strategies, market conditions, and product life cycles. Because only setting the right price is a crucial step toward achieving the profit. When firms are far from marketing information, they lose as numerous pricing strategies are

available from which to choose. Certain strategies work well with certain objectives, and differ accordingly in which careful selection of a pricing objective lead to the appropriate strategies.

From this it is possible to conclude that if enterprises are setting price without considering the costs and market condition, it can be a burden /overloaded on the product which minimize attraction of customers to purchase the product or below break-even point that makes the product disable to pay back production costs. If the price is assigned to the product more than required, it makes customers turn –back from buying the product and decreases the sales volume. If the price is below break –even point, it makes the profit negative. These two opposite directions affect the growth of the enterprises directly or indirectly.

4.11 Market Access

Availability of market is one of the decisive for the sustainability of MSEs. If there is no market access, the enterprises cannot have opportunity to sell their products and disable to get the benefit from the product.

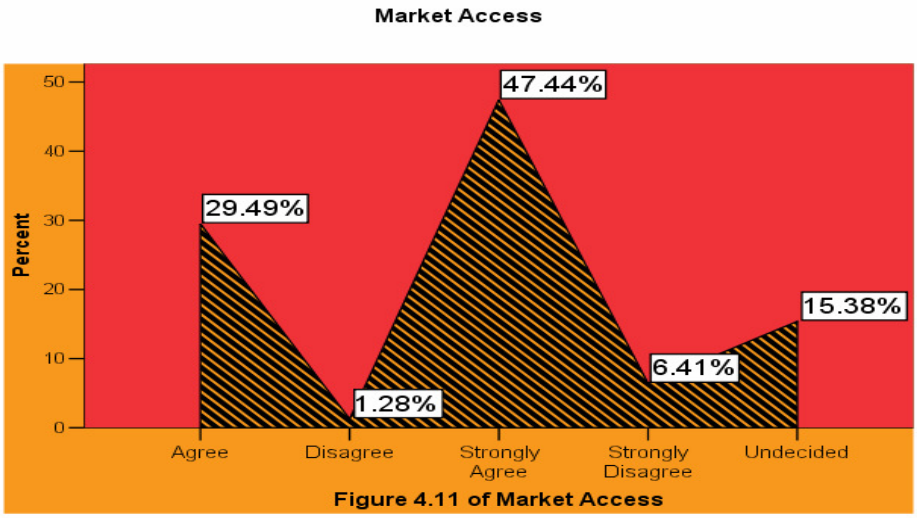


Figure 4.11 of Market Access

(Source: Researcher's Survey)

From Figure 4.11, it is possible to see that 47.44 percent of respondents strongly agree with lack of market access for their products and 29.49 percent of them also have agreed with the issue. On the other hand, 15.38 percent of response of respondents shows undecided. In contrast,

6.41percent of respondents strongly disagree and support as there is market access for their product and 1.28 disagrees.

Market access adds value by making goods and services available at convenient times and locations, by creating a pleasant environment in terms of location, allowing multiple distribution size, making them more responsive to customers' needs. Accordingly, if the customers' demand for the product and supply of MSEs mismatched or the market cannot be easily accessible for the products, then the products of the producers sit idle tying up the capital.

This implies when there is lack of market access for the product, the movement of the produced product to the market come slow in which the possibility to get working capital for further expansion is contracted and make the business stagnant/stuck rather than actively contributing to growth.

4.12 Creating Awareness for the Public / Promotion

Businesses use different communication activities to inform, persuade and remind the target markets about their business, their products and activities. Advertising, personal selling, sales promotion through participating in exhibitions, trade fairs, and demonstration are promotional mixes that business can use. One of the important ways of expanding market for goods and service for MSEs is participating on exhibitions.

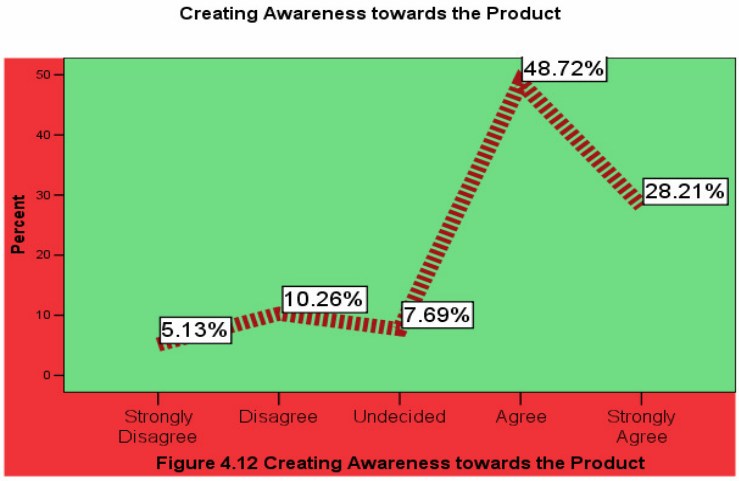


Figure 4.12 Creating Awareness towards the Product

(Source: Researcher's Survey)

Figure 4.12 shows most respondents response reveal as they agree with lack of promotion for their products indicating 76.93 percent. Also the data collected through interview supports this responses and many enterprises use informal ways through which individuals around the location of their business know and informally transmit from one to another about the products of many businesses according to their relationship. These respondents response has consistency with prior studies regarding problems of promotion of MSEs especially in Ethiopia (Rahel and Paul, 2010) which concluded even though enterprises plan to promote their products; however, their budget is mostly tight.

Creating awareness/promotion of the product is decisions concerned with the enterprises combined efforts to communicate with its markets. Some enterprises understand that issuing flyers, posters and business cards have promotional values but, they refrain from undertaking such promotional activities to use the money for other urgent matters. Other MSEs are not correctly informed on how to join their respective Chambers of Commerce, or trade association of their industry to make their product informed to the society through issuing journals, organizing promotional events, organizing trade fairs, advertising MSEs' products.

This implies most MSEs in Burayu are not using promotional mixes as required in their businesses in which they can make the public around them and other local areas have awareness about their products. Since the major objective of promotion is to attract peoples to be the customer of the enterprises, on the other hand its absence limits the advantage that can be achieved from such activity. It is not enough to have good products sold at attractive prices, generate sales and profits in addition the benefits of products have to be communicated to customers. To promotion segmentation enables marketers to communicate effectively with the target market by identifying those criteria that are most relevant for each particular segment (for example, price vs. reliability vs. prestige).

4.13 Network/Linkage with External

Network with external bodies in MSEs helps to create relationships between individuals/ society such as those made up of family and friends, professionals or entrepreneurs with similar profiles or backgrounds, successful businesses, with competitors, even linkage between acquaintances in

the broader community or connections across different groups who are associated with mobility and may be especially useful for MSEs trying to overcome regulatory or other obstacles. These networks provide entrepreneurs through enabling people to share resources and work together.

Accordingly, Figure 4.13 illustrates the respondents' response concerning their networks with external bodies or societies dwelling in the environment in which the business is operating. From the Figure, 32.05 percent of them agree as they have lack of network, 26.92 percent of them also strongly agree concerning limitation of networking with external bodies in their business. When 23.08 respondents disagree with this limitation in their business, 14.1 percent of them on the other hand replied as undecided. While very few of them i.e., 3.85 percent of them strongly disagree as this lack is present in their operation.

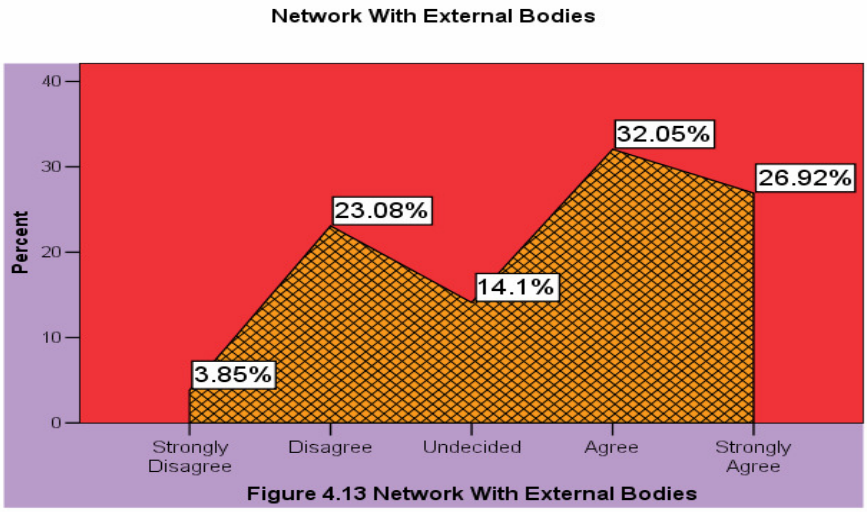


Figure 4.13 Network With External Bodies

(Source: Researcher's Survey)

Having an extensive social network is a valuable asset, as it can help an entrepreneur obtain access to information (e.g., leads about profitable business opportunities), resources and makes them faster to grow. While social networks can enhance MSE growth in any context, they can be critical to firms' growth prospects in environments with pervasive market failures, such as inordinately low levels of information and competition. It also develops long-term relationships with suppliers through repeat purchases in which this relationships foster trust and cooperative behaviour, obviating the continuous need to search for goods, determine their quality, and negotiates prices.

Integration also enhances contract enforcement where limited access to information makes it arduous for entrepreneurs to determine whether customers or suppliers will be trustworthy, and MSEs frequently lack access to formal enforcement mechanisms. These net works are often fluid in nature, providing entrepreneurs with the possibility of expanding their networks, and entrepreneurs often take advantage of opportunities to invest in social networks when there is an apparent payoff in terms of MSE growth.

When Burayu MSEs are compared with this advantage of networks and experience of businesses concerning the contribution of external relationship for growth of the firm, they are not the beneficiary of this network in which their growth cannot be assured only by their scarification.

4.14 Competition from MSEs, Medium and Large Firms

It is obvious that there is competition among operators within the MSE sectors that are engaged in the same line of business and mostly serving the similar market segments with the similar products. Sometimes, MSEs face competition challenges not only from MSEs but also relatively from medium and bigger companies which implies that larger companies in relation to MSEs have advantages due to: selling at reduced price without reducing product quality using economies of scale, customer targeting capacity, proper and intensified product/service advertising capacity; good personal contacts and networks, sound Industry reputation, sufficient information regarding existing market and capacity to exploit more market opportunities.

Figure 4.14 indicates 41.03 percent of respondents' response shows as they are at neutral and 25.64 responses demonstrate as there are high competitions. Even though competition is there most of the time, most of the competition among MSEs is based on capacity to keep quality of product/service to acceptable standards or as per the needs of the customers that can be achieved through various means such as using raw material with good quality, using improved and efficient production process/technology, proper finishing, and good storage facilities - both for raw material and finished products and use of skilled labor, setting product/service price at a reasonable amount compared to that of similar suppliers without sacrificing product quality.

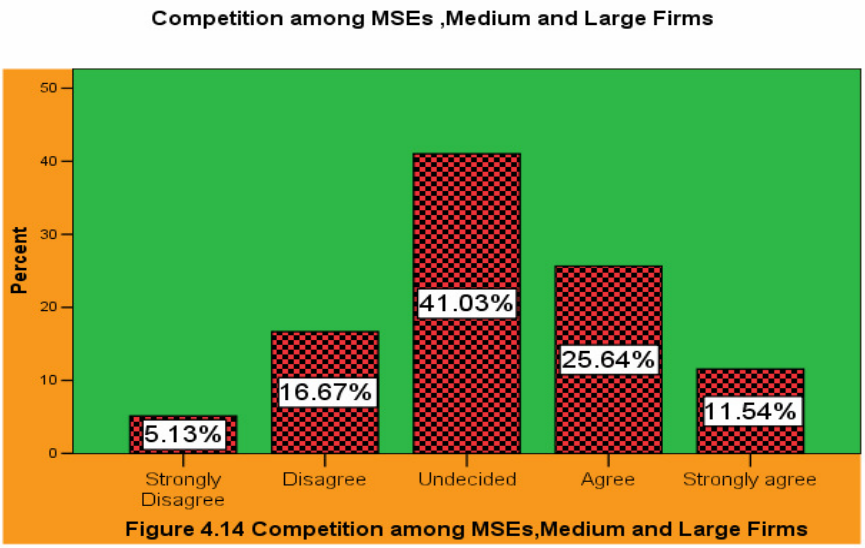


Figure 4.14 Competition among MSEs,Medium and Large Firms

(Source: Researcher's Survey)

Depending on the response of respondents from questionnaires and interview, even though there are many similar MSEs around each other, their existence is not as much difficult on marketing their products and also large companies are not as much affecting them.

The implication of this issue shows, MSEs' operation is not affected much by competition even though the similar products are in the market from other small businesses since most of them are experiencing the same strength and limitations making them uniform rather than shining the as competitively advantaged over the other.

4.15 Lack of Adaptation to Changing Environment

The firm adjusts its products and service to the needs and tastes of customers through marketing information if needs to growth and survive in dynamic environment. Since it is impossible to get things static forever, it requires enterprises to adapt according to changes made in the environment.

As Figure 4.15 demonstrates 33.33 of respondents response indicates they have lack of environmental adaptation in their operation. But 29.49 of them are neutral and 23.08 percent of respondents agree with lack of adaptation to the environment.

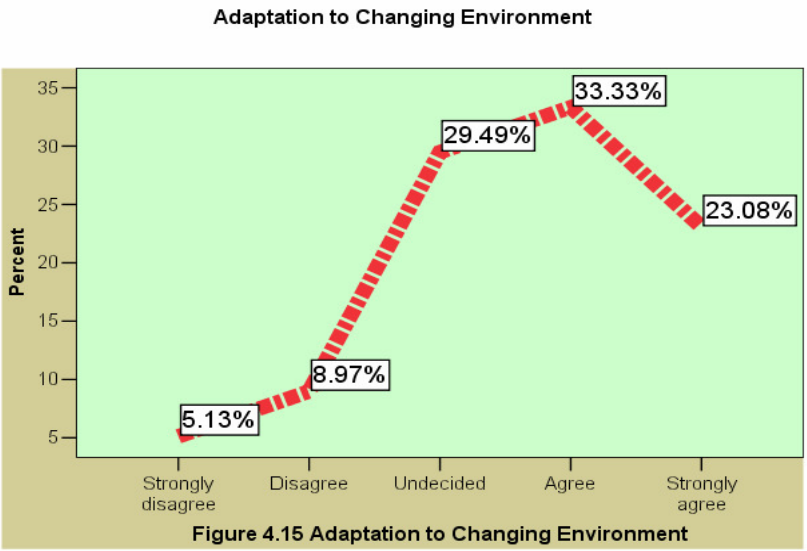


Figure 4.15 Adaptation to Changing Environment

(Source: Researcher's Survey)

This is because marketers operate in an interconnected world and they must understand the major environmental forces that surround marketing like of the actors and forces outside marketing that affects marketing of enterprises' ability to build and maintain successful relationships with target customers. Enterprises are expected to satisfy target customers within the constraints of a continuously changing marketing environment either through becoming proactive or reactive in dealing with these indirect and direct influences of the environment on the firms. Successful firms recognize and respond to unmet needs and trends while many of them fail to see changes in the environment as an opportunity. Hence, understanding the importance of continuously monitoring and adapting to the marketing environment helps sectors to grow continuously. Successful firms are primary adapters of product, price, promotion, and distribution in the market and plan to fit the marketplace.

This implies that if firms are too slow in adapting to changing environment, the game place in which they want to play makes them out of the field to produce the product and cannot get customer for their products in which the growth of their business affected. Adaptation to the environment needs businesses to actively search business information from bodies like professionals/success individuals, customers, competitors, Medias etc to confirm with market information. Since innovative firms not only identify competitive actions and offerings, they also consume competitors' products to meet and hold customers satisfied with their provision.

A key ingredient of the environment adaptation is process of insightful, creative strategies and plans that can guide marketing activities of the firm to match with customers in the environment. This requires a blend of discipline and flexibility. Marketing environments are constantly presenting new opportunities and threats, needs to understand the importance of continuously monitoring and adapting to that environment. Good adaptation to environment is no accident, but a result of careful planning and execution.

4.16 Identifying Target Market

In large organizations the art and science of choosing target markets, getting, keeping, and growing them through creating, delivering, and communicating superior customer value holds key to achieving organizational goals (Kotler, 2008). Also organization's task is to know the customers and determine the needs, wants, and interests they have and deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being. Thus, understanding the target market is prior to producing the product to satisfy their needs.

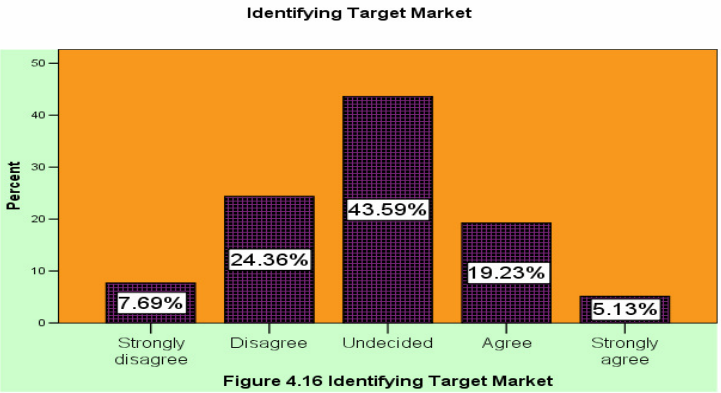


Figure 4.16 Identifying Target Market

(Source: Researcher's Survey)

As Figure 4.16 depicts most respondents (43.59 percent) of them are responded as their response is neutral and 24.36 of them disagree with lack of identifying with target market. As the data collected from interview most of them focus on local markets and know who the customers are.

Even most of them use target market to compete more effectively than others in embracing target marketing and the implication of MSEs problem is not identification target market.

4.17 Perception of Public

A motivated person is ready to act. How the motivated person actually acts is influenced by his or her view of the situation by which an individual selects, organizes, and interprets information to create a meaningful picture of the world. In marketing, perceptions are more important than the reality, as it is perceptions that will affect consumers' actual behaviour. People can emerge with different perceptions of the same object because of perceptual processes. So the decision that individuals take towards things mostly depend on their perception. In the past the perception of individuals was not good towards MSEs products especially they view their products lacks the needed quality compared with medium or large organizations.

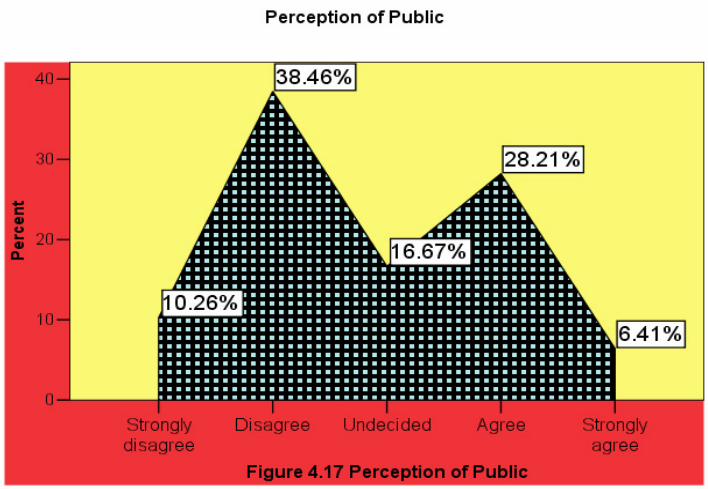


Figure 4.17 Perception of Public

(Source: Researcher's Survey)

According to Figure 4.17 shows most respondents' response indicates as the public in current time has no bad attitude towards MSEs and their products. As data collected from interview its supports this by indicating that the government is currently paying attention to these enterprises that the contribution they made for themselves, family and society and they make products available nearer to the society and reduced many coats incurred to search the product from far places or market area.

Mean and Standard Deviation of Marketing Constraints

As Table 4.1 demonstrates, there are many marketing constraints affecting the micro and small enterprises in which variables are related with growth of the firm were described above using percentages. However, not only the variables relation with growth but also they are interdependent and very often relate to each other. Even though most enterprises have different limitations concerning marketing activities, their mean value indicates as they have differences in existing and affecting the growth of the firm. Accordingly, the researcher divided the variables effect as low, moderate and high by using the group mean as a bench mark in which each means compared and decided. The variables having lesser mean value than group mean was taken as low effect on business growth, variables having mean value approximate to group mean are moderate needed more support to be taken as having effect from interview and empirical studies and variables with high mean value were the foremost factors affecting the growth of the businesses. **Table 4.1 Descriptive Statistics of Marketing Constraints**

S/N	Variables	N	Mean	Standard deviation
1	Lack of market information	78	3.8205	1.14805
2	Lack of continuous improvement	78	3.8077	1.06975
3	Lack of setting clear and competitive pricing strategy	78	3.9359	1.01085
4	Lack of market access	78	4.1026	1.12342
5	Lack of creating awareness towards the product	78	3.8462	1.10579
6	Lack of network	78	3.5513	1.22366
7	High competition	78	3.2179	1.02751
8	Lack of quick adaptation to changing environment	78	3.6026	1.09710
9	Lack of identifying target market	78	2.8974	.97488
10	Negative perception of customers	78	2.8205	1.14805
Group mean			3.5603	

(Source: Researcher's Survey)

As mentioned above constraining factors of the growth of the firm were taken using the group mean value as stepping stone and marketing constraint which its mean value is lower than the group mean value was categorized as low effect on the growth, and which its mean value is equal or greater but not far from group mean are categorized moderate. The marketing constraints

having mean value of greater than group mean were taken as the major marketing constraints affecting the MSEs. Generally variables with low mean value indicates low effect in constraining the firm's growth, moderate value was medium with effects and variables with high value have high effect in constraining the firms' growth.

According to the marketing constraints indicated on Table 4.1 negative perception of customers (2.8205), lack of target market (2.8974) and competition from MSEs, medium and large firms (3.2179) are variables with low mean value compared with group mean. The moderate marketing constraint is lack of network with mean value of 3.5513. The other marketing constrains indicating high mean value are lack of market access(4.1026), lack of setting clear and competitive price for products(3.9359), lack of promotion(3.8462),lack of market related information(3.8205) and lack of product improvement(3.8077).

In addition to network which is described as moderate mean value because it described as high having high effect from interview and empirical studies ,these marketing constraints having higher mean value than group mean are identified as the strongest in constraining the growth of the enterprises because they also supported with the data collected from interviews.

4.18 Well- Rounded Experience in Basic Business Activities

A partnership is likely to be operated more efficiently than a proprietorship because two or more persons share in the management and there is a good chance that a partnership will make better decisions. After all, with two or more people contributing their ideas to the solving of problems, superior solutions should be forth coming. This is particularly true if the partners are specials in different areas. For example one might be the individual who thinks up new ideas and services to provide for customers, a second might know a great deal about personal selling, and a third might be an accountant. As a result there can be a host of partners who each contribute to a particular specialized area. Thus, overall decisions are improved, which provide a greater chance of success.

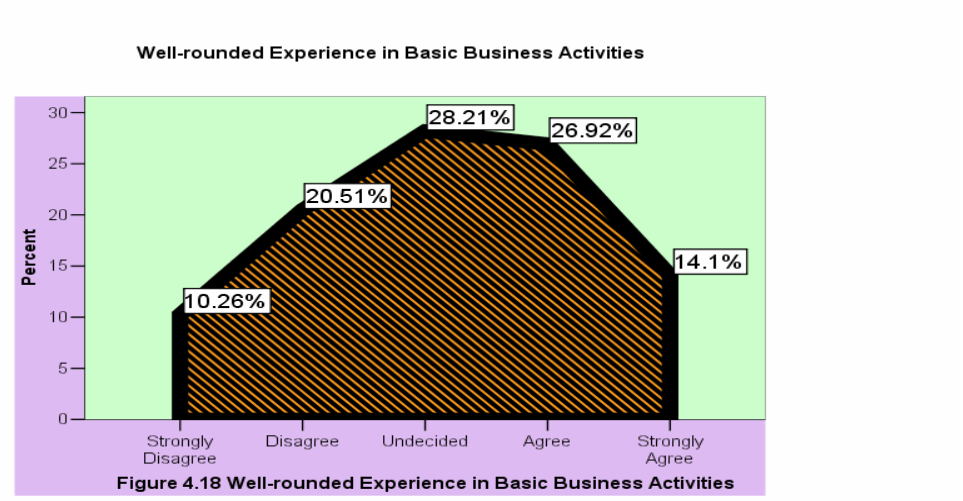


Figure 4.18 Well-rounded Experience in Basic Business Activities

(Source: Researcher's Survey)

Figure 4.18 shows respondents response on well-rounded skill and experience in basic business activities. As it is presented on the Figure, most of the respondents (22/28.2 percent of them) responded as they have undecided response on the question concerning lack of well rounded experience concerning basic business activities. 21(26.9 percent) of them agree as they have lack of well rounded-experience in basic business activities, 16(20.5 percent) disagree concerning the question. On the other hand 11 or 14.1percent respondents gave their response strongly agrees and 8 or 10.3 percent of them strongly disagree to the question.

Management skills in accounting and financing, marketing, purchasing, business management are the basic required skills in business activities. Lack of occupational experience in these related business activities for many MSEs entrepreneurs has been indicated as a constraint to growth. It is shown that lack of effective management in well-rounded is a major cause of business failure in MSEs. Some owners tend to manage these businesses themselves as a measure of reducing costs and make independent decisions on the utilization of money generated from their businesses without having such experiences. This lack of management experience led to collapse of many businesses because of the lack of experience and knowledge how such type of business activities performed in effective and efficient way. Many researchers and practitioners claim that one the major cause of small business failure is "poor management in this area". Whether the causes are labelled as financing, competition, marketing, inventory, or others, they can be safely avoided if good management is available in well-rounded experience that is

capable in performing major business activities is in place. Although it has become difficult to explain what constitutes 'poor management in well rounded-experience', small business owners/managers need to develop basic managerial skills and knowledge.

This implies most of the enterprises are dormant due to the limitations of knowledge in well – rounded in basic business activities.

4.19 Efficient Utilization of Business Resources

Management is about using resources efficiently in order to meet the objective of the enterprises. In start-up and early years of small firm, the owner/manager will be responsible for all significant decisions regarding resources needed, their sources, the way they will be used and how they are controlled or monitored. This adds up to an almost endless combination of different responsibilities and activities. Specially, resources in management of small business have four main areas as operation, people, marketing and finance (Haily, 2007). Sometimes businesses highly invest on fixed assets means that a huge sum is unnecessarily tied up in fixed assets in which the return from fixed assets cannot be realized in the near future. As shown on Table 4.2 most respondents replied they have undecided response on inefficient utilization of resources in the enterprises and some respondents agreed as there is inefficient utilization of resources in the enterprises. In addition to the data collected through interview businesses are using their resources efficiently. Some MSEs owners take the discarded product which was produced not in quality to be reprocessed or use for other purposes.

Table 4.2 Utilization of Business Resources

		Frequency	Percent	Valid Percent	Cumulative%
Valid	Strongly disagree	15	19.2	19.2	19.2
	Disagree	14	17.9	17.9	37.2
	Undecided	27	34.6	34.6	71.8
	Agree	20	25.6	25.6	97.4
	Strongly agree	2	2.6	2.6	100.0
	Total	78	100.0	100.0	

(Source: Researcher's Survey)

Concerning employees working in the enterprises, many times their effectiveness and efficiently utilizing their effort and other resources depends when there is owner or manger around them, of the time it is not as much complex to know them and their out puts because of their number and friendship in the work area. On the other hand the interview show is that most of the individuals/employees and materials used are not integrated in which they are only on work at their required or assigned. If one material in the operation or person is not on work at a time the following activities this come to idle. From this it is possible to conclude that there are efficient utilization enterprises' resources but the problem is the technology they are using.

4.20 Multi-skill Training to Perform Multiple Tasks

Many MSEs Owners/ managers lack managerial training and experience. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept. Although this attitude is the key strength at the start-up stage of the enterprise because it provides the creativity needed, it may present problems when complex decisions have to be made. A consequence of poor managerial ability is that MSE owners are ill prepared to face changes in the business environment and to plan appropriate changes in technology. Majority of those who run MSEs are ordinary lot whose educational background is lacking. Hence they may not well equipped to carry out managerial routines for their enterprises

Table 4.3 Multi- Skill Training of Employees to Perform Multiple Tasks

	Frequency	Percent	Valid Percent	Cumulative %
Strongly disagree	7	9.0	9.0	9.0
Disagree	10	12.8	12.8	21.8
Undecided	26	33.3	33.3	55.1
Agree	28	35.9	35.9	91.0
Strongly Agree	7	9.0	9.0	100.0
Total	78	100.0	100.0	

(Source: Researcher's Survey)

The above Table 4.3 shows that the respondents response on multi-skill training given for employees to do multiple tasks in the business. Because managerial and human resource factors can affect performance of MSEs, respondents were asked to agree or disagree on the presence of multi-skill training in the business. Accordingly 28 respondents agree as there is no such type of training in the enterprises and 26 respondents on the other hand replied it difficult to say whether it is available or not. 10, 7and 7 of them respond on lack of multi-skill training given in the enterprises help them to perform different tasks as disagree, strongly agree and strongly disagree.

As the interview shows most of the time employees working in MSEs are forced to do the duty of others because of high employee turnover in such business even though there is no prior trainings. When employees got chance to multi-skill training which can help them to participate in different activities, they can perform activities in efficient way when their duty is idle and others' is overcrowded or idle due to absence, turnover or other problems happened. When such training is not given but employees are forced to replace others place and there will be difference in quality and amount of output that affect their business performance. Accordingly, it is possible to conclude that the employees working in MSEs mostly have no prior multi –skill trainings even though they are forced to work instead of covering others duty without full range of knowledge and confidence that bring variation on quality of an out put.

4.21 Management Ability in Creating External Relationship

The external relationships or linkages in a value chain among firms between input or raw material supply and final market distribution are critical for getting a product from inception to the market, and for transferring learning and embedded financial and business services from one firm to another along the chain. The efficiency of the transactions between vertical related firms in a value chain affects the entire industry's competitiveness and the horizontal linkages are needed to reduce the transaction costs of working with many small suppliers. These linkages can help enterprises to generate economies by buying in bulk or filling large orders, which can contribute to competitiveness and increase their bargaining power. Concerning managements ability in creating the linkages with external bodies the MSEs owners were asked and their responses summarized as figure 3.18 below.

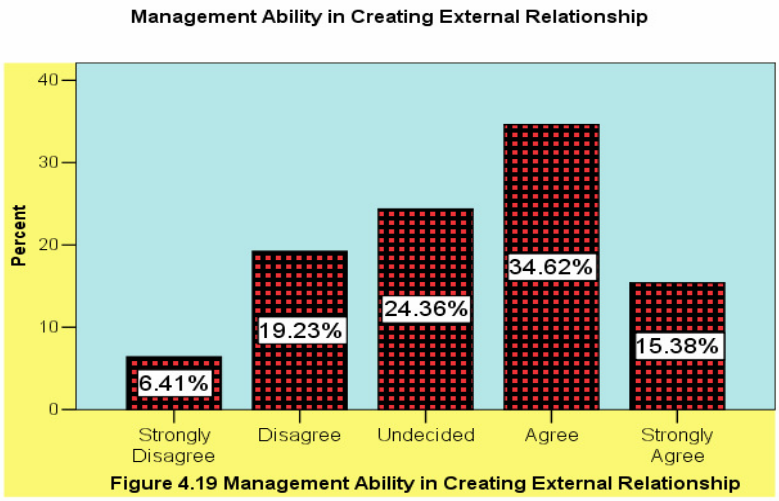


Figure 4.19 Management Ability in Creating External Relationship

(Source: Researcher's Survey)

According to Figure 4.19, 34.62 percent of respondents agree as there is lack of management's ability in creating external relationship /linkage, 24.36 percent responded as undecided, 19.23 percent of them disagree. On the other hand 15.38 percent of respondents strongly agree and 6.41 percent of them strongly disagree.

Where the enterprise is working in wide social areas, it cannot smoothly operate its activities with self sufficient and requires the owner or managers to have external relationship. As it shows in the marketing plan to know how the enterprise establish and maintain profitable customer relationships, managers are required to create and have both internal and external relationships in shaping their actions. This management external relationship must be integrated with marketing network activities in which it affects how marketing and other internal departments work with one another and collectively have linkage with external bodies to deliver value and satisfy customers in which their growth can be assured. More than this it must know how the company works with suppliers, distributors, and other partners to achieve the objectives and influences the company's dealings with other stakeholders, including government regulators, the media, and the community at large. All these relationships are important to the enterprises' success.

As chart 4.18 shows respondents response on the questions lack of management's ability in creating external relationship from the total samples most of respondents' response shows as

there is lack of linkage of management with external in which the two invaluable actors are not networked with suppliers supplying the products and the buyers of their products. However, even though both of these are the main actors in the business, still they are not solely sufficient and cannot guarantee to make the enterprise to succeed.

The implication is that, the truth is many times there are many constraints that limit the growth of MSEs, the most pressing of which is shortage of resources. MSEs individually lack the skills and resources to improve their capabilities. If fragmented rather than integrated within sectors, regions or other localities they will be disadvantage by loosing supports available in network in which more effectively jointly address hindering obstacles, take up opportunities and build collective efficiency. In addition to this, inter-sectoral linkage it is crucial for their development if these is not available will be unsolved riddle making the growth of the firm to fall down.

4.22 Suitable Management Style

There are a number of managerial challenges that face small firms attempting to grow. The ability of initial founders to manage a larger firm than the one they have initially created is of primary importance. On the one hand, owner-managers may be unwilling to dilute their personal power and control over the organization by adding professional and non-family personnel and financial constraints in hiring and/or training qualified personnel may limit the ability of the entrepreneur to delegate responsibilities.

Table 4.4 Suitability of Management Style

		Frequency	Percent	Valid Percent	Cumulative %
Valid	Strongly Disagree	8	10.3	10.3	10.3
	Disagree	19	24.4	24.4	34.6
	Undecided	29	37.2	37.2	71.8
	Agree	18	23.1	23.1	94.9
	Strongly Agree	4	5.1	5.1	100.0
	Total	78	100.0	100.0	

(Source: Researcher's Survey)

Table 4.4 Demonstrates respondents response on lack of suitable management style in the enterprises and accordingly 32.2 of them responded by saying neutral and 24.4 of them disagree to lack of suitable management. Enterprises growth is linked to a company's ability to motivate employees to innovate and moreover, to sustain growth, firms need to constantly respond to their customers' needs in novel and precise ways.

From this it is possible to say that the problem of MSEs growth is not the management style available in the enterprises.

The above assessed management constraints were summarised as follows using mean value of the mentioned variables. According to table 4.5 shows, the respondents' response summarized in mean value of variables of management constraints and the group mean value is 2.9872 helps as bench mark in categorizing the variables effect in constraining the growth of the firms. For variables whose means is less than 2.9 were taken as variables having less effect , variables around 2.9 or approximate to the group mean value was take as moderate in affecting the growth and those variables whose mean value is greater than the group mean value affect the growth of the firm at higher level.

Table 4.5 Descriptive Statistics of Management Constraints

S/N	Variables	N	Mean	St.deviation
1	Lack of well-rounded experience	78	3.1410	1.20307
2	Inefficient utilization of business resources	78	2.7436	1.12164
3	Lack of multi- skill training to perform multiple tasks	78	3.2308	1.08020
4	Lack of management ability in creating external relation ship	78	2.9359	1.03622
5	Lack of suitable management style	78	2.8846	1.04423
	Group Mean		2.9872	

(Source: Researcher's Survey)

Accordingly inefficient utilization of business resources (2.7436), lack of suitable management style (2.8846) has low mean value than group mean and also their effects are considered as low. On the other hand, lack of management ability in creating external relationship (2.9359) moderate mean value and the rest of them are with higher power in influencing the growth like

multi- skill training to perform multiple tasks (3.2308), lack of well rounded experience (3.1410).

4.23 Knowledge to Prepare Convincing Business Plan to Get Loan

It is critical for businesses to have comprehensive business plan encompassing full range of planned activities and detailed expectation for an established enterprise relating to operation, marketing, financial and managerial considerations. This plan launches an entire business's expansion requirements tend to write formal business plans to get external funding. Many small businesses fail because of fundamental shortcomings in their business planning. It needs to be realistic and based on accurate, current information and an educated projection for the future required in its power of convincing by vision, goals, and keys to success, work force needs, potential problems and solutions, financial, capital equipment and supply list, balance sheet, income statement and cash flow analysis, sales and expense forecast, analysis of competition, marketing, promotional activities, budgeting and managing company growth going to be used (Hailay,2007; Assefa,2010) . In addition, most bankers and financial institutions request a business plan if individuals are seeking to secure addition capital for their company.

As Figure 4.20 illustrates most of the respondents agree as they have lack of knowledge in preparing and providing convincing business plan when they need external loan from financial institutions. According to the data collected through interview, many of the MSEs haven't such deep information and knowledge to prepare this business plan as requirements in getting loan. Some of them bring the idea to MSEs office to prepare them though they cannot get the required service within required time from the bureau. Also as an interview with OCSCO of Burayu branch, the extension agents, in collaboration with Oromia Credit and Saving S.C (OCSCO) prepare a business plan for MSEs on identified business opportunities by an interest group. Then a credit request by an interest group is submitted to OCSCO with a group collateral modality.

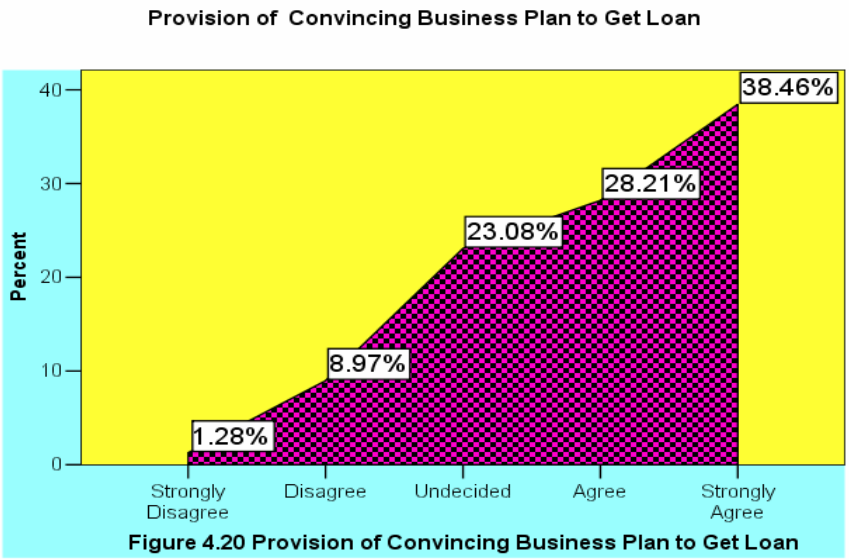


Figure 4.20 Provision of Convincing Business Plan to Get Loan

(Source: Researcher's Survey)

Relevant government offices especially town administrator offices act as a collateral guarantees. The challenge is when bringing all these individuals together, it consumes more time which is not expected for this work and gradually the MSEs asking for such support become hopeless as a result of its insignificantly consuming time. Some of them who went to external bodies to help them to prepare this business plan are asked high payments.

One can also add low capacity to develop sound business plan documents as the other barrier to loan finance and it is possible to conclude that MSEs in Burayu have problem of providing convincing business plan and as a result they cannot get the required loan with in right working time and if the loan couldn't be accessed with in required time it pauses the growth of the firm.

4.24 Working Capital

Even though active firms like MSEs tend to seek credit more actively, it does appear that small firms are affected more severely by capital constraints. For various reasons ranging from lack of collateral, MSEs tend to face greater financial constraints than do larger firms. From the perspective of MSE owners, insufficient credit is frequently the most obvious and pressing challenge hindering firm growth. MSEs receive formal loans relatively infrequently, and must therefore rely on other types of credit (Carpenter and Petersen, 2002).

Even after the start-up hurdle is overcome, a lack of credit frequently hinders growth during MSEs' earlier years, because younger firms tend find financing even more difficult than older firms (Andy Redfern and Paul Snedker, 2002). Over the life of the firm, growth can also be hindered by credit constraints that curb investment to maintain or improve technology. Financing was ranked as one of the firms' top three challenges by (Andy Redfern and Paul Snedker, 2002). Thus, Entrepreneurs' own perceptions may not always correspond to actual growth trends. Interestingly, lack of access to capital appears to be widely accepted as a growth constraint, yet few empirical studies explicitly test the link between access to finance and firm growth or success rates.

As Figure 4.21 shows one of the most problem of MSEs is related with lack of working capital. It is one of the most highly required resources for expansion purpose. When 46 percent of respondents are strongly agree with lack of getting working capital, 40 percent of them agree with this problem. In addition, data from the interview shows there is restricted credit facility from government budget and a single Micro Financing Institution 'OCSCO' provides the loan for individuals for expansion purpose when fulfilling the criteria required by the institution. According to the response from the institution, the institution by its self has limited capacity to give loan to individuals the required amount.

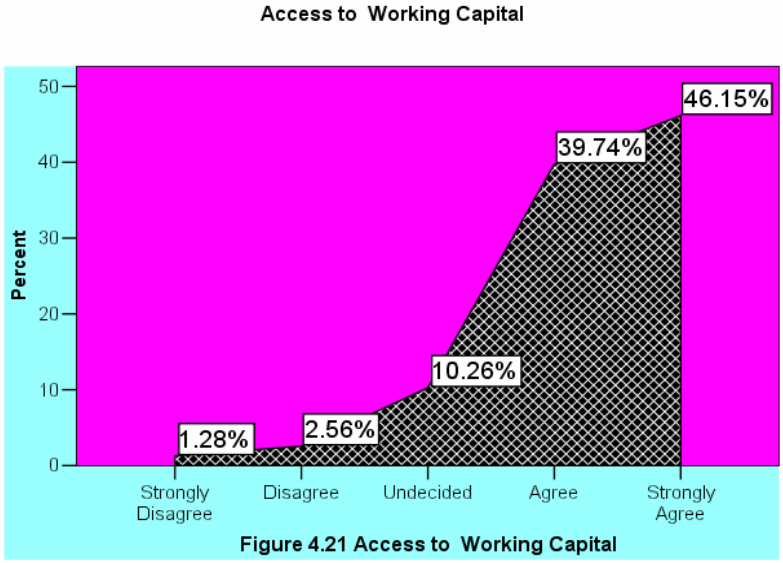


Figure 4.21 Access to Working Capital

(Source: Researcher's Survey)

When most of the newly opened businesses have no much saving that helps them to expand their businesses and on the other hand the OCSCO ask them collateral by limiting the opportunity of access to credit, they face a challenging journey in their business expansion and restrict their growth. This shows, absence of micro-finance institutions that enable them to access finance is the major obstacle for expansion of their business. In spite of the presence of many MSE agencies focused on expansion and survival, collateral that they are asked inhibits them to get credit. As a result of these and inability of small entrepreneurs to secure collateral requirements, the financial institutions became reluctant to provide them loans even though financing is one of the crucial elements that determine the development of Micro and Small Enterprises (MSEs) and necessary to help them set up and expand their operations, develop new products, and invest in new staff or production facilities. On the other hand, financial institutions focus their attention on evaluating income streams flowing from an investment project that MSEs will have and value the availability of collateral in the event of financial distress but this creates a problem for small firms in that they often do not have significant fixed assets to secure in their early years of establishment.

In this regard, low capabilities to meet conditions of the banks, particularly loan guarantee or collateral were cited as the main barrier to borrow from banks and financial institutions as interview data used for the purpose of this study. Almost all of them cannot supply the required collateral to borrow from the banks and this low ability to provide loan guarantee or collateral was the major factor that inhibited them from seeking bank finance to expand their business or to start new businesses.

The other implication is associated with the risk aversion attitudes of financial institutions as Habtamu and Abrham (2008). The situation reduces the responsiveness of banks to loan requests from smaller enterprises. “CBs, including the CBE, are believed to target mainly big and medium borrowers with relatively bigger investment activities and hence are not considerate when it comes to small borrowers, due to risk aversion attitude.”

The survey implication indicates that the main financial resources for start-up and expansion of MSEs came from personal savings, friends and family support which is riskier than formal loan. This situation can be a constraint for MSEs owners wishing to mobilize adequate working capital

to expand their businesses. On the other hand, the loans provided by micro financial institutions are small, with a short repayment period. Generally, this resulted in limited growth and survival of MSEs.

4.25 MSEs Familiarity with Financial Information

In discussing with marketing problems as internal factor the subject of finance should not be overlooked. Shortage of funds discourages the smooth operation and development of MSEs. Even if there are some credits facilities can be fulfilled through providing the requirement, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and non-productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed most. It is emphasized that the importance of proper record keeping is that it enables a small business to have accurate information on which to base decisions. Such as projecting sales and purchases or determining the breakeven point and making a wide range of other financial analysis. However, the persistent lack of proper records leads to the closure of many businesses.

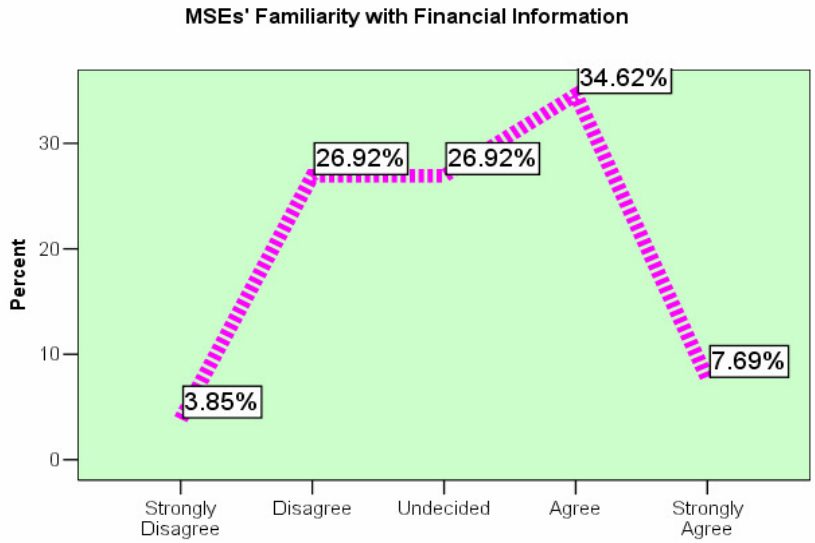


Figure 4.22 MSEs' Familiarity with Financial Information

(Source: Researcher's Survey)

Figure 4.22 shows MSEs' unfamiliarity response with financial information and as it demonstrates 34.62 percent of them agree with this idea. According to the interview it is important to note that the majority of MSEs do not keep books of accounts that would facilitate the estimation of growth rates over a period of time. Loan providers use owner-managers' education levels as an indication of the latter's ability to utilize resources to generate profit and be able to meet their obligations. Thus, firms with relatively more educated owners and can provide evidences of financial information used are likely to have more access to external finance in measuring individual's experience of finance management through book keeping.

Accordingly Figure 4.22, 26.92 percent of them responded neutral responses and others can prepare are familiar with financial information. However, in businesses, activities should be recorded especially in financial areas to show the trend and direction in which the business is moving in its activities. Financial information are thus plays the synergetic role in providing information that are significant in showing the businesses profitability, cash flow condition and direction, what the company looks like at specified period of time, decide how much working capital are needed and available, where the sources will be found if credit is required are the major activities in the business. This information cannot be maintained if there is no accurate and appropriate record. Concerning this issue as many previous studies shown, poor recording is one of the major factors causes MSEs to fail. Most business people failed to track of their daily transactions and cannot account for their expenses and their profits at the end of the month. In addition many of the owners violate the business entity concept mixing the property, revenue and expense of the business with their own personal property. Business funds were put to personal use and thus used in settling personal issues. This has a negative impact on profitability and sustainability. Some owners/managers employ family members simply because of kinship relations. In some cases these leads to repaid failure of business.

Thus, it is possible to conclude that the performance of MSEs is affected by lack of financial record keeping and documentations and ability to analyze financial statements, turnover and profit, and utilization of company assets. The finding is in line with Abdullah and Baker's (2000) finding that lack of awareness towards financial information is one of the major factors inhibiting the success of small firms. Many studies have also found that this limitation makes the complex in which direction the firm is moving and can clashes with objective of to be succeed.

According to Table 4.6 the mean value of lack of sufficient working capital and lack of providing convincing business plan to get loan are the major factors related to finance in which they indicate 4.2692 and 3.9359 respectively.

Table 4.6 Descriptive Statistics of Financial Constraints

S/N	Variables	N	Mean	St. deviation
1	Lack of providing convincing business plan to get loan	78	3.9359	1.04868
2	Lack of sufficient working capital	78	4.2692	.84781
3	Unfamiliarity with financial information	78	3.1538	1.03292
	Group Mean		3.7863	

(Source: Researcher's Survey)

When the mean value of a group is 3.7863, the mean value of unfamiliarity with financial information indicates less than this group mean value and considered as relatively low in constraining the smooth operation of MSEs. But as it is indicated the mean value of working capital and knowledge concerned with business plan preparation to get loan are higher and also taken as one of the most important factors constraining the growth of micro and small enterprises by integrating this data with interviews. In addition to other resources, financial resources are the most important resources help enterprises to get different technologies and educated effort helping as an engine to move. Improved technologies and qualified work force are not increased due to lack of this finance, this indicates the limitation /absence of finance affects the growth of enterprises.

4.26 Provision of Training and Skill Upgrading for MSE by Government

The overall objectives of the Regional/ National MSEs Development Strategy of Ethiopia is to create a competent, motivated, adaptable and innovative work force in Regional State/ Federal Government contributing to poverty reduction and socio and economic development through facilitating demand-driven, high quality technical and vocational education and training, relevant to all sectors of the economy, at all levels and to all people in need of skill development. Creating and further developing a comprehensive, integrated, outcome-based work force is the critical objective of government according to (MSEs Development package of 1997). The other

supporting scheme is to create coherent framework for all sectors and stakeholders in the sector through establishing and increasing the necessary capacities to ensure quality of workers and their works.

As interview with two offices, in an effort to support MSEs entrepreneurs development in Burayu, MSEs Development Office and Trade and Industry provides training services on business management, information, book keeping marketing issues how to reduce producing and using counterfeit products. However, this business advisory service is accessible for limited number of businesses. Although there is information, it is difficult to disseminate through different programs like (bazaars), seminars, workshops and the media did not used before and it is challenging to get them in appropriate way and time.

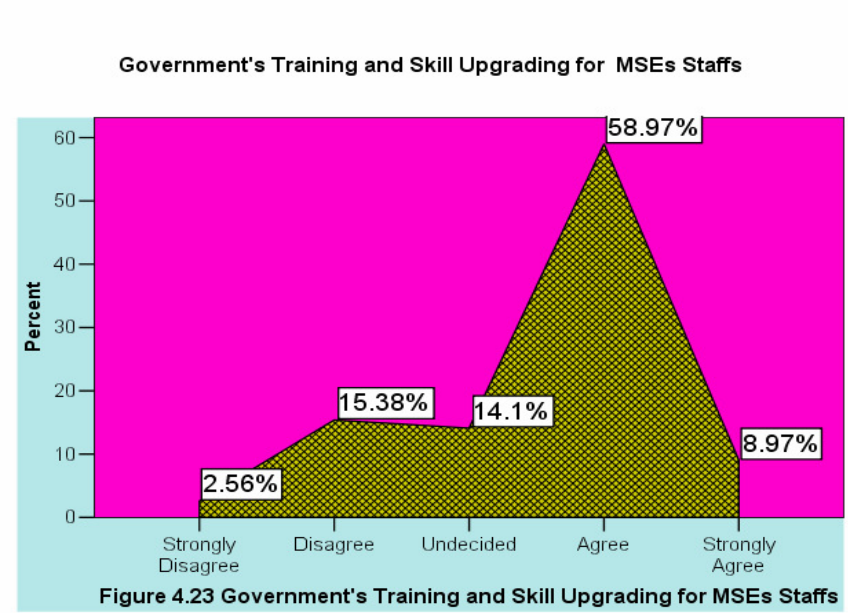


Figure 4.23 Government's Training and Skill Upgrading for MSEs Staffs

(Source: Researcher's Survey)

Concerning the lack of training and skill upgrading for MSEs, Figure 4.23 depicts, most respondents agreed indicating 58.98percent. This research confirmed that MSEs owners mainly depend on their own resources and experiences as well as those of their families and friends even though little training is given as formal to motivate them to enter in to the work at beginning. As some selected respondents were interviewed, the prior training during star-up, materials are too complex and sometimes irrelevant for trainees, trainers are not qualified. After MSEs entered in

to work they faced absence of technical skills training and upgrading in the sector, lack of on-going technical assistance and hands on training to upgrade their products, increase productivity, improve packaging and to remain competitive and access markets. From this it is possible to conclude that for growth it is required to upgrade the skill of MSEs through training. But the training which is promised from government and practically available in the enterprises is mismatched.

4.27 Adequate Arrangement of Required Business Infrastructures

The availability of infrastructural facilities is essential and ingredients for business growth and expansion. Thinking growth or survival without infrastructure is ideal and looks like a dream that is vanity and striving after wind. For most of MSEs their work is tied with these infrastructures and if it is unavailable even for minutes they forced to stop their production or service deliver. Because, there are no other substitutions of infrastructure to these enterprises to use instead of like electricity, water, telecommunication, road etc.

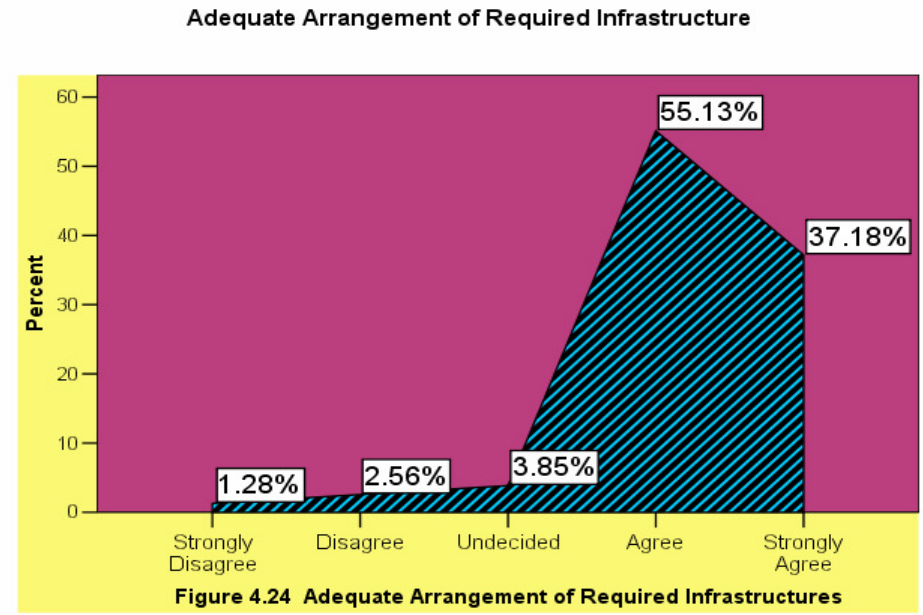


Figure 4.24 Adequate Arrangement of Required Infrastructures

(Source: Researcher's Survey)

According to Figure 4.24, the respondents response indicates highest percentage with agreeing as there is lack of infrastructures in the town with (55.1%) and followed by strongly agree by

37.2%. This is obvious that mainly for production and delivery of goods and service it requires different infrastructure. Most of the enterprise use water, power, road and transportation to produce and distribute their products. These infrastructures are required for smooth operation of both industry and service sectors, while their business operation is mostly affected due to this problem. This indicates poor infrastructures pose a major challenge to micro and small enterprises in Burayu. As respondents said in Burayu, the provision of better infrastructures has lagged behind over years like poor roads, inadequate electricity supply, telecommunication problems and unavailability of water and still they stands in need of better infrastructures.

4.28 Government Institutions Procurement from MSEs

Until recent times due to attention was not given to the importance of integrating governmental sectors or organizations with MSEs development, it had unable to facilitate and support through sustainable marketing linkage for products and services of MSE in delivering for public sectors and give priority to MSEs to improve their competitiveness in quality and motivate others to enter and sub-contract with improved products from society to society.

When working together with government institutions, MSEs both of them get mutual benefit in which there is win-win relationship and get benefit one as provider of product and the other as a strategic customer. This can have potential effect on improvement of their industry's competitiveness and continues product delivery to the government institutions in long run. The integration realizes and gives hopes for MSEs for sustainable and competitive development that has the capacity to generate sustainable employment opportunity and increased income for all participants.

Table 4.7 demonstrates respondents' response on government's procurement of their products and accordingly 39.1 of them agree the government institution is not buying their products and also 39.1 percent respondents' response is undecided. According to (MSEDS, 1997), MSEs can be benefited from integration with government institution like school, hospital and other by sub-contracting and delivering their products to these and other institutions.

Table 4.7 Government Procurement from MSEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	2.6	2.6	2.6
	Disagree	3	3.8	3.8	6.4
	Undecided	31	39.7	39.7	46.2
	Agree	31	39.7	39.7	85.9
	Strongly agree	11	14.1	14.1	100.0
	Total	78	100.0	100.0	

(Source: Researcher's Survey)

If the government procurement is tied with these enterprises, they motivated to produce more quality and can get sustainable production. However the absence of government procurement has its own effect on growth of enterprises. According to the response of respondents, most respondents agree as the government is not buying the products of MSEs and threats them by losing the opportunities can be maintained from integration of both.

4.29 Provision of Right Business Location

Facilitation of working premises enables both the newly upcoming enterprises and the existing one those want to change to preferable location, and in the same token those which attained higher capital and showed growth need such facility for expansion purpose.

Table 4.8 Provision of Right Business Location

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	3.8	3.8	3.8
	Undecided	5	6.4	6.4	10.3
	Agree	35	44.9	44.9	55.1
	Strongly agree	35	44.9	44.9	100.0
	Total	78	100.0	100.0	

(Source: Researcher's Survey)

According To table 4.8 specifies, most respondents' response shows that there is lack of right business location for doing their business. Around 89.8 percent of them stand on the side of agreement concerning the problem of this factor. Location is one of the most important factors that affects the operation of enterprises and as reason the growth of enterprises have direct relationship with location (Sethuraman, 1997). According to the interview conducted with MSEs, one of the desires of most participants is to save costs of rental, for them higher disposable income now is more important than a better quality premises. Owners complained that, expansion of the town has led to increased demand for business premises, which means that some micro and small businesses have been pushed away from the busy area of the market to the periphery. The working place is one of the main components that are needed for a successful and sustainable growth of enterprises because it is essential in creating access to resources and the necessary markets. According to Oromia Regional Government of MSEs Development Package of 2009 and Federal Government of MSE Development Strategy of 2011, the working premises is one of the key problems that MSEs report from time to time.

This has increased costs and resulted in poor sales and negative cash flows, thus minimizing the chance for most businesses to succeed. From this it is possible to conclude that there are other problems directly or indirectly related with site of business and affect the growth of the enterprises like: poor access to infrastructures that have several consequences on income and productivity of MSEs. It also discourages mobility, few units' wants move out of their current location perhaps due to lack of choice. Obviously this means there is little scope for additional investment or improving the business.

Table 4.9 Government Support Descriptive Statistics

S/N	Variables	N	Mean	St.Deviation
1	Lack of training and skill upgrading for MSEs staff	78	3.5641	.94786
2	Lack of adequate and arrangement of required infrastructure	78	4.2436	.75912
3	Lack of government procurement from MSEs	78	3.5897	.87440
4	Lack of provision of right location	78	4.3077	.76120
	Group Mean		3.9263	

(Source: Researcher's Survey)

Table 4.9 Summarized lack of government support for MSEs doing their activities. Sometimes, even MSEs operate effectively; there are factors that they cannot control by themselves. The support services to MSEs from government cover both financial and non-financial interventions provided to enhance the development and sustainability of the sector. In doing so, it requires government intervention to solve the constraints outside of the control of enterprises. Though there are enormous external factors foster or inhibit the growth of MSEs, the above government support variables are delimited to see their effect on the growth of firms. According to the responses of the respondents, the mean values of the variables listed under government support have the values listed on Table 4.9. As a result, the Group Mean Value of 3.9263 was taken as a benchmark to keep apart the factors having low, moderate and high effect on the enterprises normal operation by matching the lowest value with indicating the lowest negative effect on firms' growth and others follow accordingly. Consequently, lack of training and skill-up grading (3.5641) and lack of government procurement (3.5897) have lesser mean value and relatively have less effect. In contrast, lack of provision of right location indicates the highest mean value in which it has considered as potential effect on the growth of the enterprises (4.3077) and followed by lack of adequate infrastructures indicating 4.2436. Even though the mean values of government's procurement and training and skill upgrading have high mean value compared with other variables used in this study, they are relatively lower than the two variables indicated in this government support related constraints. Thus, depending on the data collected through questionnaires and interview and, analyzed accordingly, the growth and survive of the MSEs are constrained by government related supports like lack of providing working premises and adequate infrastructure. Working premises and infrastructures are central to business operations in decreasing initial and operating costs, but unavailability of such hub things in business makes it lamed leg not to walk properly in competition and directly or indirectly block the grow.

5. Conclusion and Suggestion

5.1 Conclusion

Based on the results of this study, different factors were identified as responsible for hindering MSEs growth and survival in Burayu. To give conclusion for these factors, the researcher combined strongly agrees and agree responses together and strongly disagrees and disagree in one for the purpose of using percentage. Also, the researcher focused on mean value of variables to identify the major factors constraining these enterprises.

- As the findings of participants profile indicates, males' participation in MSEs is 59 percent compared with females. The age of participants mostly fall between 26-30 years demonstrating 55.13 percent. Most of MSEs educational qualification is in high school level indicating 41.03 percent. Respondents experience year indicate that most of them have 1-3 years of experiences demonstrating 50 percent. Personal saving is the major source of initial capital for most of MSEs by 52.56 percent compared with other sources. For most of them the source of skill that they are currently applying in their business is from short-term trainings illustrating 30.77 percent. The fluctuation of employees for most of MSEs shows as it is decreasing with 48.72 percent compared with increase and constant flows of employees in the enterprises.
- Marketing constraints affecting MSEs from the findings indicate: lack of market access with 4.1026 mean or 76.9 percent, lack of setting clear and competitive price for products with 3.9359 mean or 64.41 percent, lack of promotion (3.8462)/76.9 percent, lack of marketing information with mean of 3.8205 or 66.7 percent and followed by lack of product improvement with mean of 3.8077 or 65.4 percent are the major marketing constraints identified influencing the growth and survival of MSEs. When there is limited market access, the probability that MSEs experience growth is less in which limited customers coupled. Lack of knowledge related to marketing strategies, mixes, information, lack of adaptation to changing environment and networks with successful businesses and knowledgeable persons are other factors related to marketing constraints. Lack of product improvement especially MSEs in the same sector sell identical products without any additional distinctiveness, innovative activities and modification and this lack made similar products are over-

crowding the market in and round Burayu without matching their products as there is change in demand and flexibility with environment. Thus, since marketing is one of the most activities required by businesses to growth through satisfying the needs and wants of customers, its constraints on the other hand hinders the growth of firms.

- Management practices constraints include: lack of multi- skill training of employees with 3.2308 mean , lack of well -rounded experience in basic business activities with 3.1410 mean and lack of management ability in creating external relationship with 2.9359 mean are the major factors affecting the growth of MSEs .
- Lack of access to credit is almost universally indicated as a key problem for MSEs. Accordingly, lack of working capital with mean value of 4.2692 or 85.9 percent and lack of providing convincing business plan with 3.9359 or 66.7 percent are the major financial constraints. The limitations and complexities of obtaining loans from financial institutions were cited as major hindrances to small business development and most MSEs are unable to secure badly needed loans from the financial institutions. Because collateral requirement to get loan these institutions is required highly and it is beyond their capacity and business. OCSSC requires MSEs to come in cooperative form and one of them should have or bring individuals with collateral requirements to provide loan. On the other hand, the loans provided by the institution are small and short repayment period. Due to this MSEs forced to rely and use other informal sources like self-financing or borrowing from friends which are short term finance, costly and risky. In addition to this, businesses have lack of knowledge in providing convincing business plan to get loan and this blocks their access to credit. Financial constraints limit the number of preferable alternatives that can be considered and force them to use inappropriate technology & others because it is the only one they can afford. This limited growth and survival of MSEs.
- Government support related constraints of MSEs include: lack of right working premises with 4.3077 mean & lack of adequate business infrastructure with 4.2436 mean values. Since good infrastructure has the effect of promoting MSEs by lowering the cost of doing business, lack of key and adequate infrastructure related to adequate supply of electrical power, access to roads, water and sewerage, telecommunications can directly or indirectly lag the growth of businesses behind.

5.2 Suggestions

The major constraints identified in the study affect the enterprises' growth and survival and as a reason the following actions are suggested for owners, actors and other stakeholders to improve the performances of MSEs in Burayu town.

- MSEs owners/managers should improve internal operations through upgrading their skills, using effectively the borrowed amount for the intended purposes and able to save money on for future investment and practice ways of gathering customer information for the purpose of satisfying their needs through conducting market research and creating network with other MSEs ,successful businesses and knowledgeable individuals, because the more businesses know about their customers, the better they can meet their needs. The network with external bodies from supply of raw material to distribution is suggested because it keeps them from sudden stoppage of production due to different limitations of resources and customers.
- The government should organize/make MSEs as industry village in suitable location by constructing sheds and other common basic requirements, arranging common facilities and encourage private investors to engage in these premises constructions by providing certain incentives for private investors like tax relief and availing of lease-free land. This will help MSEs to use common infrastructural facilities for production, access common market and sales centres, site for promotion, ensure fair competition and buyers can get them around same area of operation.
- The MoUDC cooperation with planners and stakeholders should extend all-round support and introduce various marketing strategies to make sure their rapid development in the market to MSEs so that their capacity to create employment and wealth is strengthened.
- The government should arrange and give equipments, machines and other necessary materials through lease in which MSEs can cover the payment during the operations to reduce doubt of getting back payments for the borrowed finance.
- In order to facilitate access to credit for MSEs, banks and MFIs need to allocate a certain portion of their loanable funds for MSE entrepreneurs. This has to be supported by special lending and repayment arrangements. Thus, in order to address the problem of credits, financial institutions, the Federal and Regional Governments, donors, NGOs can assist in creating lines of credit and special windows for assisting growth-oriented.

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APPENDIX

Appendix1.Questionnaire

The purpose of this questionnaire is to collect information on Factors Constraining the Growth and Survival of Micro and Small Enterprises in Burayu Town. The study is only for academic purpose and cannot affect you in any case. So, your genuine, honest and timely response is vital for accomplishment of this study on time. Therefore, I kindly ask you to give your response to each items/questions carefully.

Part One: Profile of Participants

1. Sex: Male☐ Female☐
2. Age: 15-20☐ 21-25☐ 26-30 ☐ 31-35☐ 36-40☐ above 40☐
3. Educational Qualification:

   Uneducated☐ Below high school☐ High school ☐ College certificate ☐

   Diploma☐ first degree☐ second degree and above☐
4. Year of experience in the enterprise:

   1-3 years ☐ 4- 6 years ☐ 7-10 years ☐ above 11 years ☐

Part Two: Business Information

1. Type of the business/sector _____
2. Major Source of your Initial capital:

Personal saving☐ Micro finance ☐ friends & relatives☐ Ekuib ☐ NGO's ☐ Bank☐

3. Main Source of your business skill:

Self ☐ Family and friends ☐ Training☐ Experience☐ Education☐

5. Current number of employees in your enterprise when compared to last year/s:

Increased ☐ Constant☐ Decreased

6. Your current sales volume when compared to last year/s:

Increased ☐ Constant☐ Decreased

Appendix2. Marketing, Management, Financial and Government Support Related Constraints

Using the following Rating Scales under the columns, mark (✓) sign only once for the given variables depending on your level of agreement in front of it.

	Variables	Strongly Disagree	Disagree	Undecid	Agree	Strongly Agree
A	**Marketing Related Constraints**					
1	Lack of market information					
2	Lack of continuous improvement of product					
3	Lack of setting clear and competitive price for products					
4	Lack of market access					
5	Lack of creating awareness for customers about the product/use of promotion					
6	Lack of network with successful and other businesses					
7	High Competition					
8	Lack of adaptation to changing environment					
9	Lack of identifying target market					
10	Negative perception of public					
B.	**Management Related Constraints**					
1.	Lack of well-rounded experience in basic business activities					
2.	Lack of multi- skill training to perform multiple tasks					
3	Inefficient utilization of business resources					
4	Lack of management ability in creating external relationship					
5	Lack of suitable management style					
C.	**Financial Constraints**					
1.	Lack of providing convincing business plan to get loan					
2.	Lack of sufficient working capital					

3	Unfamiliarity with financial Information					
D.	**Government Support Related Constraints**					
1	Lack of providing training and skill upgrading for MSE staffs					
2.	Lack of adequate arrangement of required infrastructures					
3.	Lack of government institutions procurement from MSEs					
4.	Lack of providing right business location					
5	Inadequate government's effort in change public attitude					

Anything you want to add or opinion you may have on constraining factors growth of your business do not mention in the table?

_____

_____

_____

_____

_____

_____

APPENDIX 1

Appendix3. Interview Guiding Questions

1. Please if you tell me briefly why and how you start this business.
2. What is the major function of your enterprise?
3. How many employees are there in your enterprise?
4. Do these employees have ability to work in multiple activities? Extents to what such multiple duties are believable to bring quality in the operation.
5. How do you improve the competences and skills of the workers?
6. What are the constraints you faced in accessing and using the finance?
7. How do you see the effort of government support for such enterprises and visible changes come?
8. What are your major competitive advantages over the competitors? How do you know as you are operating better than them?
9. What do you think the journey of your business looks like in its operation/ sales volumes?
10. Do you have external linkage/network with other individuals or businesses? Who advices you and extent to what you benefited from it?
11. What are the other problems did not reach in our interview but hindering your business to grow or survive?

Questions about Marketing

I. Product

a. Who are your target markets? Have you identified whom the consumers of your products interims of geographic location, age group or economic situation?
b. What are the products of your enterprises?
c. What are the benefits of this product to your customers and offers them better than your competitors or what differentiates your products from competitors' products?
d. Do you develop new product? What problems do you encountered in this new product development or modifying your existence products?

II. Price

a. Do you have a written pricing strategy?

b. What factors you consider in setting this pricing strategy? Moreover, what are the bases for your pricing strategy?
c. What pricing method does your enterprise use? Did the price base solely on the product's perceived benefits or others and allowed for a profit?
d. What are the problems you faced in pricing strategy?

III. Place/Distribution

a. Where do buyers come/look for your product?
b. What was done to make this product /service more accessible and available to customer?
c. What distribution objectives and strategies are the enterprises pursued?
d. What kind of distribution system does the enterprise used to distribute its products?
e. How do you insure the quality of the products before distributed?
f. What are the problems encountered in the distribution strategy?

IV. Promotion

a. What was done to increase the visibility of this product / service and to increase its usage or exposure?
b. What promotional tools are appropriate such enterprises and which do the enterprise used?
c. What factors do you considered before undertaking promotion?
d. What is the status of promotional mixes done interims of bill boards, personal selling, sales promotion, participating in bazaars and exhibitions, broachers etc?
e. What problems you encountered concerning promotion of your product?
f. Extent to what these marketing mixes integrated to reduce cost, increase profit and reach the target market effectively?
g. What are the difficulties in integrating these marketing strategies?

In general

1. How well a firm did this year compared to last year?
2. Overall how well it did versus leading competitors or similar firms in the industry?