

HAWASSA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS DEPARTEMENT OF MANAGEMENT



FACTORS AFFECTING RURAL YOUTHS ENTREPRENEURIAL
BUSINESS PEFORMANCE: A CASE OF MICRO AND SMALL
ENTERPRISES IN WONSHO WORED.A.

ATHESIS SUBMITTED TO HAWASSA UNIVERSITY SCHOOL
OF GRADUATE STUDIES, DEPARTEMENT OF MARKETING
MANAGEMENT FOR THE PARTIAL FULFILMENT OF THE
REQUIRMENTS FOR A MASTER DEGREE IN MARKETING
MANAGEMENT

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MAR 2024

HAWASSA, ETHIOPIA

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ADVISORS APPROVAL SHEET

This is to certify that the thesis entitled “factors affecting rural youth’s entrepreneurial business performance. A case of micro and small enterprises in wonsho Woreda” submitted in partial fulfillment of the requirements for the degree of Master in Marketing Management, the Graduate Program of the School of Business and Economics, and has been carried out by ANDINET ASFAW ARGETA, ID No: 0005/14 under our supervision. Therefore, we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the school of management and Economics.

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ADVISORS' APPROVAL SHEET

We hereby certify that this thesis entitled “factors affecting rural youth’s entrepreneurial business performance. A case of micro and small enterprises in wonsho Woreda” submitted to the School of Management and Accounting, Hawassa University for the award of the Master Degree in Marketing Management is done by Andinet Asfaw Argeta ID. Number 0005/14, under our supervision and guidance. The subject on which the thesis has been prepared is based on her original research work and it has not been submitted earlier in full or a part for the award of any of degree, diploma or any other similar titles in this or any other University or institution.

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Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the School Graduate Committee (DGC/SGC) of the candidate’s department.

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DECLARATION

I hereby declare that the thesis entitled; “factors affecting rural youth’s entrepreneurial business performance of micro and small enterprises” a case study of micro and small enterprises in wonsho woreda submitted for the award of Master Degree in Marketing Management at Hawassa University. Thesis is done by close supervision of my advisors; Dr Genet Gebre and my Co Advisor Kassa A. and I declare that this study is my original work and has not been for a degree, a diploma or fellow ship to any other University and all the material used for this study have been properly acknowledged .based on my original work except for quotations and citations which have been duly acknowledged.

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ACKNOWLEDGEMENTS

Above all, I would like to thank the Almighty God who has taught the deaf to speak and enables the listening ear to hear speech. My exceptional tribute goes to my major advisors, Dr. GENET DEBRE for his unreserved effort, sociable encouragement, academic stimulation as well as productive and helpful comments on the entire document. I also extend my thanks to Kassa Ambachew, my Co-advisor for his constructive comments and suggestions in the formulation of the research proposal and during the write-up of the thesis. They edited the whole document timely and made very productive comments right from the start. They guided me with patience to enable me accomplish my study.

It is a great pleasure to extend my appreciation to Wonsho Woreda Enterprises Bureau Mr. Akililu Kebede and staff members of the offices (Mr. Sambato Yote and others). I am also very much indebted to Mr. Akililu Asefa & Mr. Paulos Manedoye for their advice and moral encouragement.

Last but not least, I would like to express my heart-felt gratitude to my family member their encouragement and love during my academic career.

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LIST OF ACRONYM

MSEs- Micro and Small Enterprises

EEA- Ethiopian Economics Association

FMSE- Federal Micro and Small Enterprise Agency

FNF- Financial factors

GDP- Gross Domestic Product

IFF- Infrastructure factors

MBA- Master of Business Administration

MSEs- Micro and Small Enterprises

OECD- Organization for Economic Cooperation and Development

PPS- Population Proportionate Sampling

SMEs- Small and Medium Enterprises

FDRE- Federal democratic Republic of Ethiopia

ECSA- Ethiopia central statically agency

EU- European Union

WB- World Bank

EDA- Ethiopia Development Association

UADA- Urban Agricultural Development Agent

OECD- Organization for Economic Co-operation and Development

ANOVA- Analysis of Variance

SPSS- Statistical Package for Social Science

VIF- Variance Inflation Factor

HICLEP- High Commission on the Empowerment of the poor

ILO- International labor organization

EMOTI- Ethiopia ministry of Trade and Industry

ABSTRACT

This research paper was aimed the factors affecting rural youth's entrepreneurial business performance of MSEs that currently working in central zone wonsho worade. This study was employed a descriptive and explanatory research design qualitative and quantitative research approach. Both primary and secondary data was employed. Questionnaire was that main data collection instrument. Among 824 MSE operators, 269 sample size were selected using stratified and simple random technique. After the data has been collected, it was analyzed using simple statistical techniques. The descriptive and inferential statistical tools were used, Pearson correlation and multiple linear regression were used to analyze the relationship and difference between independent and dependent variables. Statistical Package for Social Science (SPSS) version 23 was used to analysis of quantitative data from questionnaire questions. Furthermore, the research finding shows that among the independent variables financial factors, infrastructural factors, marketing skill and strategy factor, legal and regulatory factor and business information factor were the major factors that significantly affect the performance of MSEs. Based on the findings the study was recommended that financial institutions such as banks and micro finance institutions should improve access to finance problems of MSEs operators, all other governmental institutions/woreda Administration should give attention and should improve access to infrastructural, marketing factor, legal and regulatory factors and business information in order to improve the performance of MSEs in wonsho woreda.

Keywords: *MSEs, financial, infrastructure, marketing skill, legal and regulatory, business information factors*

CHAPTER ONE

1 INTRODUCTION

This chapter provides a brief overview of the study presented in this research paper by introducing the reader to the key concepts used throughout the paper on background section followed by problem statement, research objective, research hypothesis, significance of the research, as well as the organization of study.

1.1 BACKGROUND OF THE STUDY

Entrepreneurial Business has become a frequently discussed topic in the field of international business over the past 35 years. The notion of acting entrepreneurial in order to create value for consumers in unique ways is highly beneficial to the way SMEs are structured and resourced. There has been a calling for applying Entrepreneurial Business to new industries and unique Environment in order to understand this phenomenon more clearly (Jones and Rowley, 2011). The need for Entrepreneurial Business in modern day marketing comes from the differences in how different size firms achieve marketing success. The average entrepreneur may have the capacity to use traditional marketing in their business, but lack the resources that larger firms may possess (Jones and Rowley, 2011). Originally seen as purely the interaction between entrepreneurship and marketing and where they intersect the research since then has taken many interesting developments as to the nature of EM and of the entrepreneur.

In most developing countries, MSEs constitute the vast majority of firms, generating a substantial share of both overall employment and output. Evidence suggests that the MSE sector not only contributes substantially to overall employment, but also generates an appreciable magnitude of economic output (USAID, 2005). The MSE sector plays an important role in providing people with livelihood and income generating opportunities, providing income and services to people who cannot get employment in the formal sector (Schorling, 2006). Poverty in Ethiopia is both deep and widespread. With a GDP per capita of US\$ 318.7, it ranks at the very bottom of the world in terms of income (UN, 2008). Eighty nine percent of the Ethiopian population lives below the US\$ 2 per day poverty line and 46% below US\$ 1 per day.

According to ministry of Trade and Industry of Ethiopia, official definition Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed asset) of not more than birr 20,000, but excluding high-tech consultancy firms and other high-tech establishments and Small enterprises are¹ business enterprises with a paid-up capital of more than birr 20,000 but not more than birr 500,000 but excluding high-tech consultancy firms and other high-tech establishments. The Ethiopian Central Statistics Agency (2007) has also tried to define micro and small enterprises by only considering the type of sector involved and the manpower requirement. According to CSA (2004), almost 50% of all new jobs created in Ethiopia are attributable to small businesses and enterprises, and roughly, women owned 49% of new businesses that were operational between 2001 and 2008.

As mentioned by Aregash,(2005, cited in Eshetu and Zeleke, 2008), 98% of business firms in Ethiopia are micro and small enterprises, out of which small enterprises represent 65% of all businesses. EM was initially developed out of interest of the interaction between entrepreneurship and marketing (Morris et al., 2002). This was the original construct to be put forth officially as a new proposition. Since then, the research in EM has seen success in the application of EM to SMEs (Mort, Liesch & Weerawardena, 2010), as these were the firms that have the right orientation for the use of EM. Creating employment for Ethiopians is a major challenge; there are insufficient opportunities in the formal sector to absorb rural people and new entrants into the labor force. Consequently, many people have been forced into marginal activities in the informal sector as subsistence youths, petty traders, and tiny handicraft producers with limited market scope. This conglomeration of informal and micro-enterprises is in need of significant upgrading if the Government of Ethiopia is to be successful in its efforts to eradicate poverty and to strengthen the private sector as a creator of employment and economic growth. Part of this challenge will be changing attitudes about work in the MSE sector, and a revitalization of the “entrepreneurial spirit” in the country (Lois *et al.*, 2005).

Chibwe Chisala (2008) also put some supplementary ideas that Micro and Small Enterprises is the major feature of the economic landscape in all developing countries today. Besides, the contribution of SMEs’ to the creation of jobs and to the alleviation of poverty has been recognized by many 3rd world governments. These have been given prominence in many development plans as well as in the strategies of many donors. Most MSEs face critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, lack of access to infrastructure, lack of training in

entrepreneurial and management skills, lack of information on business opportunities, social and cultural hindrances, deficient entrepreneurial culture and excessive corruption (HLCLEP, 2006). Nonetheless, MSEs play a crucial role in poverty reduction, employment and income generation mostly for the younger generation it faces many challenges. There is a need to develop these enterprises by government and interested bodies in order to increase their role in poverty reduction and reducing unemployment in any part of the country.

There is no agreement upon definition on the term youth across countries of the world. The UN (United Nations) defines youth as individual aged between 15 to 24 years old. The African Union defines youth as individual aged between 15 to 35 years old. For the sake of international agreement, in this proposal document employs the UN definition of youth. Experience of many African countries indicated that different ranges have been used in defining youth. Taking in to consideration the age ranges given from different countries and the objective conditions prevailing in our country, and in order to mobilize and utilize the potential capacities and competence of youth for building of a democratic system and development purpose, the youth policy define youth as who are between 15-29 years (*Ministry of Youth, Sports & Culture of Ethiopia, 2005*). Almost 90 percent of the world's youth are residents in countries where they can hardly access adequate education, capital, paid employments and health services. As the sizes of younger populations in Africa steadily swell to account the single largest category of age group, the likelihood of majority of these youth being absorbed within the formal economy is nearly nonexistent (*DSW, 2011*).

Encouraging the integration of young people at work and improving their situation in the labor market are two of the main priorities of the Ethiopian government (*Talent Youth Association (TaYa, 2014)*). Performance of youth owned and operated economic enterprises in general are of great importance in achieving high gross domestic product (G.D.P) in many countries. Young people form the foundation of a society's future. They represent inevitable transition between the children and the old (*Chigunta, 2002*). Thus, many nations are recognizing the importance of the youth in their development hence formulation of policies and programmers to guide them.

The European Union (EU), in recognition of the importance of the youth in growth and development of a region met, thus the Council Resolution of 27 November 2009 on a *Renewed Framework for European Cooperation in the Youth Field (2010-2018)*. In rural and small town areas are landless,

compared to 14 percent of youth-headed households. Similarly, the share of landlessness among the youngest households (15-24 years old) reaches 21 percent, while 13 percent of experienced youth-headed households between 25 and 34 years of age are landless. This follows recent research by Bezu and Holden (2014) who found that youth in the rural south of Ethiopia have limited access to agricultural land due to land scarcity and land market restrictions. Headey et al. (2014) also report declining farm sizes over time, with younger rural households facing larger constraints in obtaining agricultural land.

FDRE, Ministry of Sport, Youth and Culture (2004) has ratified national youth policy as a tool to realize a vision of creating an empowered young generations who are equipped with all pertinent knowledge and skill build up on ethical integrity. According to the policy (2004), any youth program directed towards youth development is expected to enable youths to be acquainted with new discoveries, inventions and innovations. Moreover, it asserts that any capacity building programs are intended to inculcate in the mind of youth of self-confidence, creativity and hard work (MSYC, 2004). Now days the current government of the land too has endorsed a five years long - term development plan which is currently on its stage II. One of the strategic pillar of the plan here too youth empowerment (MoFED,2010). It asserts that youth program shall have strategic direction of producing innovative citizens who can contribute to the realization of the long term vision of making Ethiopia into a middle income economy (MoFED,2010).

1.2. Statement of the problem

The importance of MSEs as an instrument of poverty reduction through employment creation and supply of affordable products has been implicitly and explicated by many countries and international development organizations. In most developing countries, MSEs face constraints at both starts up phases and after their establishment. In Africa, for example, the failure rate of MSEs is 85% out of 100 enterprises due to lack of skills and access to capital (Fedahunsi, 2015). It is typical of MSEs in Africa lacking in business skills and collateral to meet the existing leading criteria of financial institutions (World Bank, 2004). This, according to World Bank, has created finance gap in most markets .The MSEs are able to source and obtain finance mostly from informal sectors like friends and relatives while medium or large enterprises obtain funds from banks. This unequal to access to finance by MSEs and

medium and large enterprises has undermined the role of MSEs in the economic development in Africa countries (World Bank, 2016).

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 fully utilization 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 potentials to meet its development objectives.

As mentioned by Longenecker, *et al.*, (2006, cited in Bowen *et al.*, 2009), starting and operating a small business include a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to death of a small enterprise and hence there is no opportunity to learn from its past mistakes. Lack of planning, improper financing and poor management have been hypothesized as the main causes of failure of small enterprises. Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development.

As empirical research shown that is orderly that achieves the contribution made by MSEs and ensures them to grow; it is required to overcome serious challenge such us: financial constraints, marketing constraints, managerial constraints, infrastructural constraints and other because they are the common and major factors in marketing business to fail (okpara, 2011). According to Ashengoma and Kappel,(2008) reveal, the factors hindering the potential growth or performance of MSEs in sub Saharan countries are limited access to credit and market, business service like marketing information, networking, short term training and these challenges account for the reasons why many MSEs fail/cannot profitable.

The study conducted by Ethiopian CSA discloses that, the contribution of small enterprises in creating job opportunities and in the development of our economy is vital (FMSEDA), 2015:26).

However, their contribution is very low in compared with that of other countries due to financial problem, lack of qualified employees, lack of proper financial records, marketing problems, lack of working promises and raw materials. Lack of information about market opportunity and environmental analysis including standards and regulations is one of the underlying factors that hinder or affect their performance (Mulugebreyesus, 2009:10-13).

Different prior researchers have been tried to address the main reason that leads the poor performance for SMEs in national as well as international level. For example, Longenecker, *et al.*, (2006) starting and operating a small business include a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to death of a small enterprise and hence there is no opportunity to learn from its past mistakes. According to above mentioned author Lack of planning, improper financing and poor management, lack of credit access were identified as major challenges facing SMEs growth.

However, in view of researcher there is limited study has been conducted in current the study area that difficult to determine the current performance of the targeted business .Hence, so this research work tries to fill the gap which is not addressed by other researchers on the factors which affecting rural youths business Performance will to focus identify the factors that affecting performance of rural youth entrepreneurial business in case of wonsho woreda administrative. In this study variable was to included are, financial factors, Infrastructure factors, Access of Marketing Skill, legal and regulatory factor, and business information factor.

1.3. Objectives of the study

1.3.1. General Objective

The general objective is to assess the factors affecting the entrepreneurial business performance of rural youths: a case of on Micro and Small Enterprise in Wonsho woreda.

1.3.2 Specific Objectives of the study

In line with the above general objective, this study would focuses on the following specific research objectives:

- To examine the effect of financial factors on rural youth's Entrepreneurial Business performance MSEs in the study area.
- To identify the effect of Infrastructure factors on rural youth's entrepreneurial business performance on MSEs in the study area.
- To analyze the effect of access Marketing skill factor of MSEs on rural youths of entrepreneurial business performance MSEs in the study area.
- To examine the effect of legal and regulatory factors on rural youths entrepreneurial business performance on MSEs in the study area.

- To examine the effect of access to business information performance of rural youth's entrepreneurial business performance on MSEs in the study area.

1.4 Research Hypothesis

The main aim of this study would be to examine the factors that affecting rural youth Entrepreneurial Business performance in case of Micro and Small Enterprises operating in wonsho woreda, Sidama regional state. Thus after review related literature particularly literature proxy with the study topic such as effect of financial factor ,infrastructure factor ,access to marketing skill and strategy ,legal and regulatory factor and business information factor the following hypothesis are developed to test.

Ha1: Financial has significant effect on rural youth's Entrepreneurial business performance in the wonsho woreda.

Ha2: Infrastructure factor has significant effect on rural youth's entrepreneurial business performance in wonsho woreda.

Ha3: Access of Marketing Skill has significant effect on rural youth's entrepreneurial business performance in wonsho woreda.

Ha4: Legal and regulatory has significant effect on entrepreneurial business performance on MSEs in Wonsho woreda.

Ha5: Access to business information has significant effect on performance of rural youth's entrepreneurial business performance in wonsho woreda.

1.5 Significance of the study

This study is designed to fill the gap of on the factors that affect rural youth's entrepreneurial business performance of micro and small enterprise in Sidama Regional state Wonsho woreda such as financial factor, infrastructure factor, marketing skill, legal and regulatory and business information factors of business performance of MSEs. the results of this study could be benefit the wonsho woreda people, MSEs, traders, government employees, government and police markers, donors or NGO and stakeholders for their respective decision. also help future researchers in provision of information as secondary data or serve as literature for academic arena.

1.6 Scope of the study

The scope of the study comprises of four different dimensions. The dimensions include conceptual scope the scope of the study is to assess factors affecting rural youth's Entrepreneurial Business performance on micro and small enterprises. The scope of the study area is limited due to time and resource constraints. Even if there were many factors affecting the performance of any business enterprises this study was include only five factor such as financial factor, infrastructure factor, access to marketing skill, legal and regulatory factor and final the business information factor. Geographical scope the study is in delimited in Sidama regional state central zone wonsho woreda specifically in halekena, bokaso, andegna fero and hunkute kebeles. Finally, the time scope of the study from July 2023 to Mar 2024.

1.6.1 Limitation of the study

During this research there was great challenge faced by the researcher in getting the total number of MSEs, i.e. some managers of the MSEs and officers were not willing to give number of their customers. On the other hand there were the problem of non-returned questionnaires.

In addition to this, limited empirical information on the entrepreneurial business performance on MSEs, the possible unwillingness of some MSEs to respond the questionnaires can hides outcome of this study The population of the target group is 824 and sampling size for this study is 269. For this study the researcher used both descriptive and explanatory research design.

The study was depend only on registered MSEs in Wonsho woreda from 2005 -2015 in Ethiopian calendar in manufacture, agriculture, service providing and trade employment sectors.

1.7 The organization of the study paper

This study was organized in to the chapters. The Chapter one introduction, background of the study, statement of the Problem, objective of the study, general and specific objectives, the research hypothesis, and significance of the study, scope of the Study and organization of the paper.

Chapter two: discusses both theoretical and empirical literature review.

Chapter three: discuss the research methodology.

Chapter four is data presentation, analysis, and interpretation. And Chapter five discusses summary finding of the study, conclusion, recommendation, and future research direction.

CHAPTR TWO

LITERETURE REVIEW

2. INTRODUCTION

This chapter was deals with the related literature reviewed on factors affecting the business performance of MSEs in wonsho worda and also this chapter were discuss a review of different theoretical and empirical studies in the concept of MSEs business This review has three parts. The first part describes the theoretical review; the second part describes about review of empirical studies and the third one dedicated to the conceptual framework of the study.

2.1. Definition of Micro and Small Enterprises

There is no universally accepted definition of micro and small enterprises as the way of defining them depends upon the scale and structure of business in the economy and varies from country to country Organization for Economic Co-operation and Development (OECD, 2004). And as a result different countries have defined MSEs by using various types of measures that depend on the level of development. According to OECD (2023), the most commonly used measure is employment, due to its simplicity and the ease of collection of data. Turnover and assets employed can also be measured but both are problematical. Relatively small firms (in employment terms) can have a large turnover as a result of buying in large quantities of components.

In search of a working definition for MSEs, nations have tried to set different standards, and defined accordingly. International Lobar Organization (ILO, 2022); cited in (Richardson, 2004) recommended that countries, in consultation with the most representative organizations of employers and workers and by taking national socio-economic conditions, define their MSEs. Following this, there are many empirical evidences which show those varied definitions. By making general distinction between self-employment, micro, small and medium sized businesses; the Eu-ropean Union followed this convention, as indicated in Malhotra et.al. (2006) and defined as follows using number of employees as a basic criterion.

Table 2.1: MSEs Definition in the European Union

Number of Employees	Business type (nomenclature)
0	Self-employed
2-9	Micro business
10-49	Small business
50-249	Medium-sized business

Source: IFC (2010)

Table2.2: MSEs Definition in the World Bank Group

Type of enterprise	Number of employees	Extent of total assets	Annual turnover
Micro enterprise	1-10	< US\$ 100,000	< US\$ 100,000
Small enterprise	11-50	US\$ 100,000-3million	US\$ 100,000-3million

Source: Malhotra, M. et al. (2006).

In the case of African countries there are also varied working definitions of the micro and small businesses. To put some, I have review in the following paragraphs.

The micro enterprise employ up to 5 employees with fixed assets (excluding land and building) not exceeding the value of \$10,000; small enterprises are those employing between 6 and 29 employees or having fixed assets (excluding land and building) not exceeding \$100,000 in Ghana (Agyapong, 2010). And in Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to TZS 5.0 million while Small enterprises are mostly formalized businesses engaging between 5 and 49 employees or with capital investment from TZS 5 million to TZS 200 million. Commerce Trade Industry (CTI,2009).

In the case of Zambia, (Richardson et.al, 2004) reported that total capital investment and number of workers, like Tanzania and Ghana, are employed in distinguishing micro from small businesses. Accordingly, Micro business is any business whose total investment excluding land, machinery and buildings does not exceed US\$10,000; where the total turnover does not exceed US\$ 20,000, employs less than 10 people and registered with the ministry of commerce, trade and industry. Whereas small business is whose total investment excluding land and buildings does not exceed US\$50,000 for manufacturing and US\$10,000 for trading and services; where the annual turnover does not exceed

US\$80, employ 30 people and registered with the Ministry of Commerce, Trade and Industry. Of course, as it is stated above, the working definition of MSEs differ among Nations; by this logic Ethiopia's terminology differs from other African countries. The Ethiopian ministry of Trade and Industry (EMoTI, 2020) adopted official definition of Micro and Small enterprises. Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed asset) of not more than birr 20,000, but excluding high-tech consultancy firms and other high-tech establishments (MoTI, 2020). It also states that Small enterprises are business enterprises with a paid-up capital of more than birr 20,000 but not more than birr 500,000 but excluding high-tech consultancy firms and other high-tech establishments.

2.2. Distinctive Characteristics of MSEs

Agyapong (2010) quoting Mensah (2004) indicated that MSEs from the different problems faced point of view are characterized by: being dominated by one person, with the owner/manager taking all the major decisions. The entrepreneur may possess limited formal education, access to use of technology, market information, and access to credit from the banking sector is severely limited. Owners have weak management skills, thus inhibiting the development of a strategic plan for sustainable growth; they experience extreme working capital volatility; lack of technical know-how, inability to acquire skills and modern technology impede growth opportunities.

The attraction of the MSEs as an alternative employment generator derives from the very nature and characteristics which have made the enterprise relatively more accessible to the poor, the less skilled and the less sophisticated (Agyapong, 2010). And he deduced that labor absorptive capacity of MSEs is higher than the larger formal sector enterprises. In addition, their average capital cost per job created is considerably smaller. According to him, MSEs are characterized by high labor intensity, ease of entry and exit, small start-up and operating capital, low labor skill requirements, and they give impetus for entrepreneurial and indigenous technological development. He further added that one characteristic that MSEs possess in contrast to large businesses is the existence of women owners largely in these MSEs. For example, according to him, in Tanzania, at least one-third of MSE operators are thought to be women. In Europe, crafts and micro enterprises are characterized by strong involvement of the owner or head of the enterprise in all steps of the work flow (financial independence, strong personal responsibility), crafts, technical and management competencies (apprenticeship as one means of passing on these competences), active contribution to production of products and services (in particular

tailor-made and single-size-products or in small quantities) and proximity to the client and local activities (FBH, 2011).

In Ethiopia, even if there is lack of clarity, inconsistency, lack of organized information and consistent historical data regarding the distinctive business characteristics .There is some features that distinguish MSEs from larger scale enterprises which include; greater owner influence, dominance of one person, more subjective decision due to centralization of decision making, close contact of the top management with employees at lower levels and greater concern with financial matters due to difficulty of attributable funds etc. high Commission on the Legal Empowerment of the Poor (HLCLEP, 2006).

2.3. Roles of MSEs

Micro, small and medium enterprises play key role in the economic well-being of developing countries. They have been identified to play key roles in a society including contributing to jobs through innovations and creativity as well as aiding human resources development; and the immediate and the long run effect is that they affect levels of income and ultimately contributing to poverty alleviation (Agyapong, 2010). Similarly, Liedholm and Mead (1999) found that MSEs do largely contribute to house hold income and welfare (providing income and employment), self-confidence and empowerment of the individual, social change, political stability, and democracy, contribution to distributional or developmental objectives (providing new opportunities for the poor, income and rural isolated locations) and contributions in the area of demographic change reduction in rural-urban migration.

To review other evidence, the OECD (2004) indicated that MSMEs contribute over 55% of GDP and over 65% of total employment in high income countries and account for over 60% of GDP and over 70% of total employment in low income countries, while contribute over 95% of the total employment and about 70% of GDP in middle income countries.

To see the situation in Ethiopia, According to the survey conducted by Ethiopia Central Statistical Agency (CSA,2012)cited in HLCLEP (2006) indicated that within the MSE sector, micro enterprises account for 99.8% of total establishments, 99.6% of employment and 94.7% of gross value of production and 95.1% of the value added in the industry economic sector.

2.4. The Business Environment

Basic components of business environment for growth of enterprises include sound macroeconomic policies, aggregate demand, the structure of and access to markets, access to inputs and credit, availability of infrastructure such as transport and communications, responsive enterprise promotion policies as well as a supportive regulatory environment (ILO, 2006). This report illustrated the rapidly growing economies of Asia and Latin America as testimonies of how such an enabling environment has proved to be pretty good in expanding business opportunities and scope of generating productive jobs.

Conceptual factors like growth opportunities within existing markets, as well as the prevalence of untapped and profitable market niches prevailed as business cycle evolves play a major role in shaping the opportunities of MSEs in developing countries (Liedholm, 2002). Most obviously, the overall state of the economy directly influences the availability of profitable business opportunities. It is hardly a surprise, then, that MSEs tend to grow more quickly during periods of overall economic growth. Macroeconomic and relative price volatility is also an important issue, as experience has shown in Latin America and Sub-Saharan Africa (Nichter and Gold mark, 2005). They also added that regulatory and institutional environment in developing countries-notoriously burdensome when compared with developed countries-frequently hampers small enterprise growth.

Specific to agribusinesses Mhlanga (2010) stated that factors such as risk management and supply chain coordination, specialized infrastructure and support services related to compliance to international food safety standards are the basic. Mhlanga added Business climate assessments showed most Sub Sahara Africa (SSA) countries to be at the tail end of the environment assessment, suggesting the need for more public sector reforms to foster competitiveness of their economies. It is evident that an environment is the source of both business challenges and opportunities.

2.5. Challenges of MSEs

Efforts to promote the development of MSEs often involve helping entrepreneurs solve problems that constrain their growth. To do this effectively, it is helpful to know the most serious problems (the “binding constraint”) that small enterprises face.

Liedholm and Mead (2019) conducted a research in five African countries and found out that three categories of problems were predominant and these include: access to capital, problems of markets,

and access to raw materials and intermediate inputs. In their survey, they also added that the problems seen were generally similar both in male-owned and female-owned businesses.

Ishengoma and Kappel (2008) proved that investment obstacles, limited access to market and productive resources and high tax hinder the growth potential and performance of MSEs in Uganda.

Most Ethiopian MSEs face critical constraints both at the operation and start up level. Some of these constraints include lack of access to finance, lack of access to premises, lack of infrastructure, lack of training in entrepreneurial and management skills, lack of information on business opportunities, social and cultural factors, in particular deficient entrepreneurial culture and excessive corruption (HLCLEP, 2006).

According to (Hailay.G, 2003), the main problems of small businesses in Ethiopia are lack of adequate finance, lack of credit, marketing problems and problems related to production which includes techniques of production mostly outdated and lack of qualified raw materials at reasonable price. The above evidences are more consistent with Stevenson and St-Onge ,(2005) which identified factors related with market performance of MSEs in developing countries are, Lack of financial resource ,Lack of Infrastructure ,Lack of Access Marketing Skill, Legal and regulatory environment and Access to business information.

2.6. Policy and Support Systems of MSEs in Ethiopia

Nation's Overall development objectives may include employment creation, productivity, competitiveness, GDP growth, price stability; and external payments equilibrium; as well as social, sector and regional equality including poverty reduction. Positioning MSE development policy against national targets makes it easier to co-ordinate the relevant activities of different ministries and to prioritize goals. It also establishes the basis for a tighter process of decision -making. Very often official statements concerning MSE policy consist of a list of generalizations about the role of small business in society without any details as to the priorities and potential in this respect. Until 1997, in Ethiopia, there were no organized policy and support systems catering to the development of the MSE sector, so structural, institutional, and policy barriers were not being addressed. Premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent (MoTI, 2003).

2.6.1. Criteria for Prioritizing MSEs for Support

As the MSE sector is highly diversified and characterized by an enormous number of problems of varied degree and complexity. It is not possible to address the whole range of MSEs operating in different sectors at the same time (MoTI, 2021). Thus, it is necessary to target a certain group of MSEs for the support programs. Even though the identification and selection of priority target beneficiary of MSEs is depend on the specific condition and potential of the regions, it is believed that the following points should be the main yardsticks for prioritizing the target of MSEs. based on local raw materials and / or labor-intensive (local resource based), which have greater intra- and inter-sector linkages, (particularly those having higher linkages with MSEs), which are engaged in import substitution and with a potential for export, engaged in activities that facilitate and promote tourism etc. to sum up, the Ethiopian National Micro and Small Enterprises Development Agency has hierarchical Agencies at Regional and Zonal levels that are set for close and effective support system of the MSEs.

2.7. Theoretical Framework of the Study

In order to develop a theoretical framework for this study, the researcher has focused on important empirical evidences in different study areas. In all countries of the world, central and local governments, as well as other actors, take a number of measures to support development of MSEs (Olayemi, J. K, 2008). He added that the measures taken by governments vary from the ‘minimalist’ approaches, where the government deals with improving the business environment, to ‘hand-on direct support’ to individual firms.

Studies conducted by Clover and Darroch (2005), Martha et.al (2010), Richardson et.al (n.d.) and Rahel and Issac (n.d.) put factors affecting rural youth Entrepreneurial Business performance of MSEs into internal and external factors. The factors identified include lack of business premises (at affordable rent), access to financial services, market, infrastructure, government regulations and policies, business support services, business knowledge and managerial problems. In addition to the above empirical evidences, Weather spoon et.al (2013) generalized that forces constraining entrepreneurial market performance in Sub-Saharan Africa are demographic, social and cultural characteristics, economic factors, technology base, legal and regulatory framework, and competing local MSEs. And this was repeated by Njanja et.al (2010) in Kenya which revealed that both the external (political/legal, economic/demographic, socio-cultural, technological and globalization) and internal business

(management expertise, resources, individual characteristics etc.) environments are influencing Entrepreneurial Business performance of micro and small businesses.

2.7.1 Factor Affecting business Performance

2.7.2 Financial factors

"The role of finance has been viewed as a critical element for the performance of small and medium sized enterprises," according to Berger et al. (2000). Previous research has brought focus to the restricted availability of financial resources for smaller businesses in comparison to bigger establishments, as well as the resulting impact on their growth and efficiency. According to Asma Bouazza et al. (2015)'s investigation, SMEs' high failure rates can be attributed to their inability to obtain external financing, which is regarded as a major obstacle to their growth. Finance and performance in SMEs have a strong relationship in another study by Akinruwa, T. et al. (2013), with 0.000 at the 5% significant level. This highlights how money affects a business's performance in a decisive way. Banabo and colleagues (2011) and Olabisi, *et al.* (2011) also found that finance has a significant effect of the business performance.

Lack of access to external financing is considered a major challenge to the growth of SMEs, and it has accounted for high rates of failure among those SMEs as revealed by several studies. According to Shah *et al.* (2013), financial institutions behave more cautiously when providing loans to SMEs, and SMEs are usually charged comparatively high interest, high collateral and loan guarantees. Krasniqi (2007) finds that loan policies and collateral requirements discourage firms from obtaining loans from banks.

Both developing and developed countries, small firms have less access to external financing, which leads small firms to be more restrained in their operations and growth compared to large firms. A study done by Berger, *et al.* (1998) in developing countries provides further evidence that SMEs face greater financing obstacles than large firms do. Ayyagari *et al.* (2006) showed that financing, crime, and political instability directly affect the rate of growth of small firms, with financing being the most significant constraint affecting small firms' growth. Rocha *et al.* (2011) analyze the most binding constraint on firm growth in developing countries: they find that each country faces a different set of constraints and that these constraints also vary by firm characteristics, especially firm size. However,

across all countries, access to financing is among the most binding obstacle while other obstacles appear to matter much less.

2.7.3 Infrastructure factors

The inadequacy of the physical infrastructure is a principle cause of low levels of investment and unsatisfactory performance of small and micro enterprises. World Bank group international finance corporation enterprise survey 2011 has identified poor infrastructure as a critical factor that constrain business performance in Ethiopia. The infrastructure problem includes poor state of roads, inaccessibility to land, work space, electricity and utility. Lack of allocation of suitable land to SMEs in most urban and rural areas is a major impediment to growth and development. Inaccessibility to land and lack of property rights hamper access to infrastructure and utilities by line SMEs (Mbugua *et al.* 2014). On his study Akinruwa, T. *et al.* (2013) found a critical factor affecting performance is infrastructure with significant level of 0.001, it shows that with absence of amenities like; power, good road network, effective communication system and readily available market that can absorb the finishing products business may not survive. Good infrastructure facilitates have a positive effect in reducing the cost of operation. MSEs Owners in Ethiopia indicated that lack of efficient, reliable, safe and affordable infrastructure is affecting the performance of their business.

The physical infrastructure facilities are not adequately developed and expanded in Ethiopia to meet the growing demand of MSEs activities. As a result, most MSEs have problems related to business premises such as an increase in house rent, lack of basic services such as telephone lines, electricity supply, sewerage and water services (Eshetu & Mammon, 2009). According to Commission on Legal Empowerment of the Poor (2006), though not directly linked, inadequacy of infrastructure (road, banking service, electricity, telecommunication and other services in facilitating smooth operation of private investment are serious impediments. Rahel & Paul (2010) also identify that even if access to infrastructure is not reported as a significant problem, lack of access to water and lack of awareness about the advantages of telephones and media leads to a negative or insignificant effect on the growth of enterprises. According to the findings of the same research most MSEs have an easy access to transportation. But, the number of enterprises that has access to the rest of the infrastructures such as telephone, television, radio and water are limited.

2.7.4 Access Marketing Skill factor

In order for micro and small businesses to succeed in the long run and survive, they need to have marketing skills such as prospect identification, excellent corporate positioning, customer service, cost-effective advertising, and idea generation. According to Temtime and Pansiri's (2004) research, marketing activities like product marketing, market research, demand forecasting, as well as similar activities have a higher influence on the performance of smaller enterprises in Botswana. This is demonstrated in their study of Small Business Critical Success/Failure Factors in Developing Economies. in Botswana shows that; marketing activities such as product marketing, market research, and demand forecast and so forth have a greater impact on the success of small businesses performance.

In this study customer relationship also reported as one of the important success factors of the small business owners. From this study report one can understand the importance of marketing skills of the business owners to be successful in their competitive environment. Pulendran, Speed and Widing (2002), suggest that the quality of marketing planning is associated with a higher level of market orientation. Perhaps one can argue that, better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort. This study also indicates that managerial functions in small enterprises are limited to routine short term focused activities, and very little emphasis is given long term competitiveness which intern has an impact on the long-term success and profitability of the enterprises.

2.7.5 Legal and regulatory environment factors

The regulation of businesses by laws, policies, and incentives influences economic activity in manifold ways. It is widely acknowledged that there is no 'optimal approach' to regulation, meaning that the intensity or the scope of regulating business-to-business and state-to-business relations is largely dependent upon local conditions, private-sector needs and the interests of national policymakers (Reeg, 2015). With regard to the regulation of MSEs, governments find themselves in a position where they have to reconcile three conflicting goals: they have to foster enterprise growth and employment growth; they have to increase or ensure job quality; and they have to encourage formalization.

Business regulations affect whether a firm registers itself, may enhance a firm's investments in human or physical capital, and can deter or stimulate the adoption of new technologies. Regulations and

policies are set in place to protect (intellectual) property rights, enforce contracts, settle disputes and ensure that private companies uphold certain standards and contribute to common goods such as public education, health and the environment (Klein & Hadjimichael, 2003). Research by Asma Bouazza, *et al.* (2015) observes that governments that are not concerned with the promotion of small enterprises should examine the impact of its policies and programs on the small businesses. Robert Galan, *et al.* (2014) makes a similar observation that government regulation about wages, taxation; licensing and others are among the important reasons why the informal sector business develops. Without careful attention, government policies could crush the small business sector in any economy.

According to Lumpkin and Dess (2001) the growth of SMEs are affected by its business climate. Chuthamas C., *et al.* (2011) noted that an unfavorable business climate has negative affect on small firm growth. Brown (2007) identified competition as one of the major hindrances to the growth of small firm. Davidsson (2016) noted that an unfavorable tax system, complicated rules and regulations can heavily hamper small firms' growth. Krasniqi (2007) showed that corruption is a major source of the rise in unfair competition.

2.7.6 Access to business information factor

Information is the 'life blood' for business enterprises. Organizations cannot survive without information. They need information on market, raw materials, government directions and others Access to business information services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development.

Many firms in Africa Operate in an information- poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya & Hussain, 2007). Access to information has however been not given the same attention as other constraints to growth of SMEs like access to finance, markets, technology or training. Beside, accessing business information services has over the years been greatly enhanced with the emergence of various information and communication technologies. In developed countries, because of well-developed information and communication technologies (ICTs) infrastructure and easy access to computer hardware and software, SMEs enjoy easy access to business information services.

In developing economies there are many challenges regarding ICTs infrastructure and the cost of IT hardware and software. This in itself has created many problems in the area of business information

services for the MSEs sector. As governments and business service providers try to address the many challenges facing the SME sector, it is also important that the present use of ICTs in accessing business information services be identified in order to provide more development support in this area (Levy, 2000). For the MSEs sector in developing countries, including Ethiopia to observe sustainable levels of growth and development, availability of business information services has been identified as one area that needs attention from governments and business services providers.

Many MSEs in Africa and Ethiopia specifically, operate in an information insufficient environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya and Hussain, 2007). Access to information has however been not given the same attention as other constraints to improve the performance of SMEs like access to finance, markets, technology or training (Kauffmann, 2005). Availability of business information services for SMEs over the years has been enhanced with the emergence of various information and communication technologies. In developed countries, SMEs enjoy easy access to business information services due to well-developed information and communication technologies (ICT) infrastructure and easy access to computer hardware and software while in developing economies there are many challenges regarding ICT infrastructure and the cost of IT hardware and software. This has brought many challenges in the area of business information services for the SMEs sector. Despite the effort of governments and business service providers try to address the many challenges facing the SME sector, it is also necessary to note that SMEs identify and adopt the present use of ICT in accessing business information services in order to provide more development support in this area (Levy, 2000).

A research study conducted by Cacciolatti, Fearne and McNeil (2011) indicated that SMEs that make good use of structured marketing information services experienced higher probability of performance growth. Mahmoud (2011) concluded that the higher the level of market information resulted in greater the level of performance in Ghanaian SMEs. The study of Keh et al (2007) showed that there was a positive relationship between availability and utilization of business information and the performance of the firm.

2.8. Empirical literature review

Empirical evidence on the study in Gabon on factors contributing to the performance of Small Business Enterprises in Botswana showed that almost 87 per cent of businesses encountered problems in the

course of running the businesses. Problems encountered by businesses included “lack of finance” (60.9 %), “inadequate premises” (27.5 %), “lack of start-up training” (22.7 %), “lack of entrepreneurial skills” (22.7 %), “lack of security” (22.7 %) and “managerial incompetence” (15.5 %) (Acquach and Mosimanegape, 2007). of micro and small enterprises (MSEs) in developing countries, according to (Mead & Liedholm, 1998) and (Islam, 2016), are The key factors affecting the success not their small size but their isolation, which prevents access to markets, knowledge, finance, and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Even while this is true, the great majority of new businesses are one-person operations (Abera, 2012). This has tended to ensure that the path of the micro and small business entrepreneur is always short-lived, with the failure rate of micro and small businesses in Africa estimated at 99 percent (Katwalo, 2010). A study conducted by (Kinyua, 2013), on factors affecting the performance of micro and small enterprises (MSEs); the study stated that MSEs' access to finance could positively influence the achievements of MSEs in Jua Kali sector.

Berger et al. (2007) researched the financial and infrastructural factors that influence MSE performance. According to the findings of the study, finance plays an important role in the performance of micro and small enterprises (MSEs) businesses. Their research has revealed the lack of financial and infrastructure resources accessible to smaller businesses compared to big businesses, as well as the impact on their performance and development.

Lack of physical infrastructure is a major cause of low levels of investment and the dissatisfactory performance of micro and small enterprises (MSEs). Identified poor infrastructure as a critical factor that constrains business performance in Ethiopia. Poor road conditions, inaccessibility to land, workspace, energy, and utility services are all part of the infrastructural challenge. Lack of the availability of land resources to MSEs in most urban and rural areas is a major challenge to growth and development.

Low accesses to land and lack of property rights affect access to infrastructure and utilities by line MSEs (Ginbite, 2017). A study conducted by (Ebabu Engidaw, 2021) a study on factors affecting the performance of small and medium-sized enterprises founded that a critical factor affecting performance is infrastructure with a significant level of 0.000, it shows that with the absence of

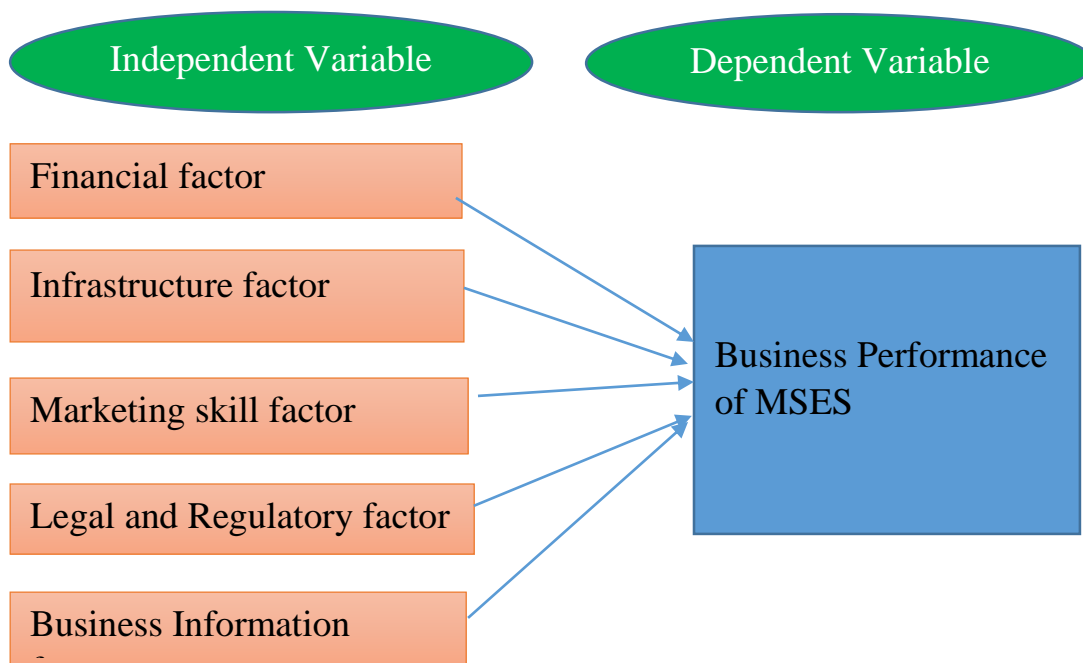
suitable infrastructures like power, good road network, effective communication system and functional available of the market that can absorb the finishing products business may not survive. A study was done by (Konso & Mitiku Mekonnen, 2018) on factors affecting the performance of MSEs shortage of access to external financing is considered MSE expansion has been hampered by this issue, which has resulted in a high percentage of failure among those businesses.

In Ethiopia's situation MSEs are confronted by various problems, which are of structural, institutional and economic in nature. Although the economic policy of Ethiopia paid due emphasis for entrepreneurship values and appreciation of the sector's contribution to the economy, there are still constraints related to infrastructure, credit, working premises, extension service, consultancy, information provision, prototype development, imbalance preferential treatment and many others, which, therefore, need proper attention and improvement (Schorling, 2006).

2.9 Conceptual framework of the study

The pressing problems observed in the research area so far on the poor performances of MSEs are lack of finance, lack of reaching poorest of the poor, insufficient lack of entrepreneurial skill, and managerial incompetence. From above mentioned variables the researcher were focus on financial factors, Infrastructure factors, Access Marketing Skill factor, Legal and regulatory factor, and final Access to business information factor due to its more proxy with selected topic for this study.

Figure 2.1. Conceptual Framework of the study



Source: Researchers own models

CHAPTER THREE

RESEARCH METHODOLOGY

3. INTRODUCTION

This chapter presents the description of the study area, the research design. Types and resource of data, sample size and methods of data analysis. The researcher will use different research methods which is suitable and appropriate with the selected research title. To achieve the research goal effectively, the researcher was used both qualitative and quantitative data collecting methods to collect data and inferential statistics and descriptive statistics to data analysis. Finally, summarizes the research based on the findings.

3.1 Description of the Study Area

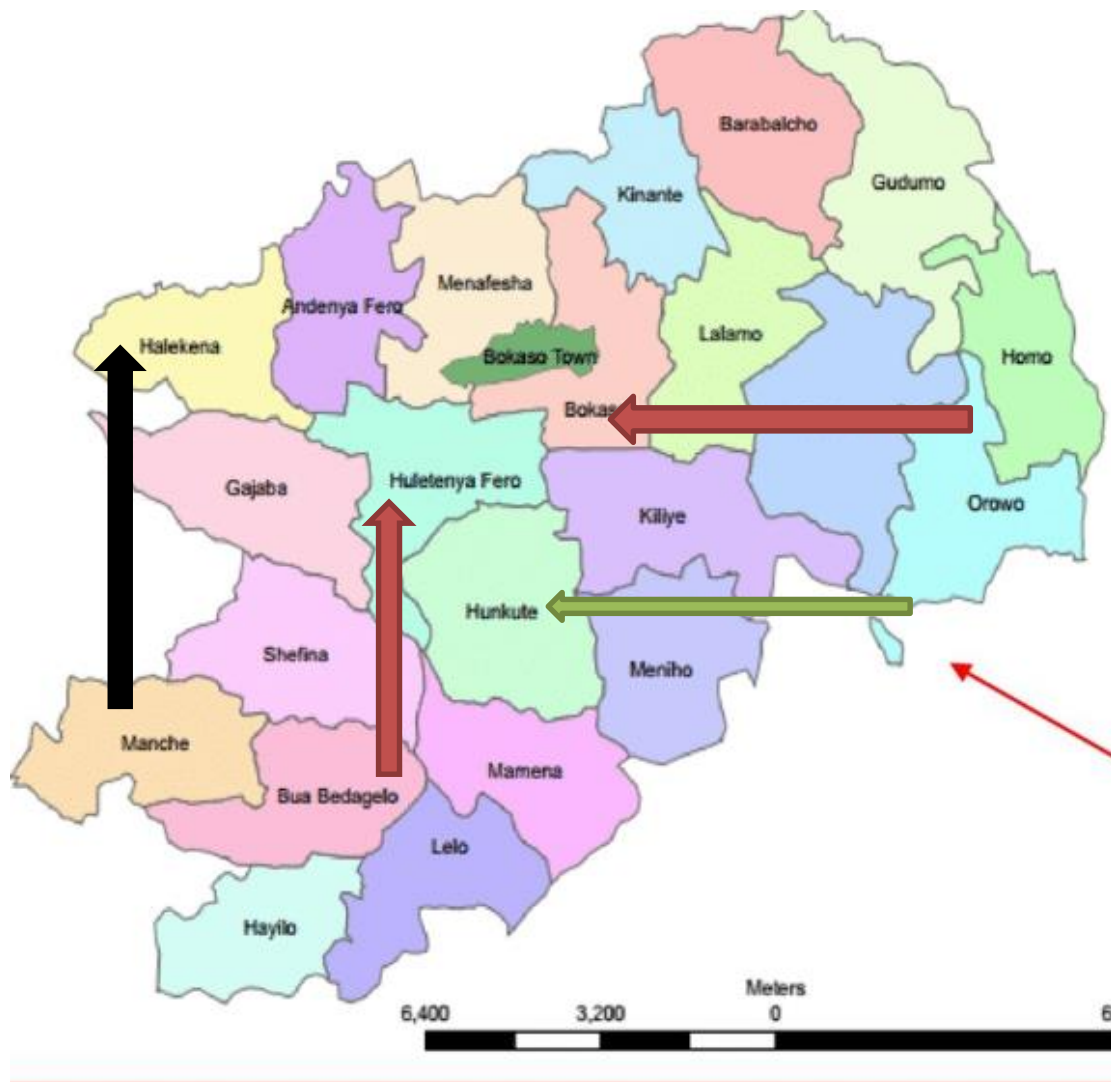
The study was conducted in Wonsho woreda Sidama Regional State. Bokasso is the capital town of Wonsho woreda. Wonsho is one of the woreda among 36 woreda and six city administrations in Sidama region. Wonsho woreda is found at a distance of 330 km from Ethiopian Capital city of Addis Ababa and at a distance 55km from city of Hawassa. The woreda is located approximately 06°39'30" to 06°46'30" North latitude and 38°20'30" to 38°34'30" East longitude with an approximate altitudinal range from 1978 m (West end, lower) to 2149 m (East or upper end) above sea level.

It is demarcated by north of Bursa, south of Dale, east of Aleta Wondo and West of Shebedino woreda (WWAO, 2018). Wonsho woreda is one of the populated districts in the Sidama Region. It has a total land area of 14313.44 and is subdivided into 19 administrative kebeles. The human population is estimated at 109,140 of which women are 53,696 and male 55,444. The mean annual temperature is 20°C.

The area is classified in to two agro ecological zones consisting 25% highland (dega), 75% mid altitude (woina-dega), soil type clay loam (CSA,2015). The economic activity of the Woreda is agriculture followed by mixed farming with raring of animals. The dominant crops in the study area are coffee, maize, barely, bean, wheat and false banana. There are two cropping seasons in the area, Belg (short rainy season) from March to April and Meher (main rainy season) from June to September. Belg rains are mainly used for land preparation like, seedbed preparation for Meher crops. The Meher rains are

used for planting of cereal crops like barley, teff and wheat. Crop production activity in the area is mainly undertaken during Meher season. Meher rains are also responsible for the growth and development of perennial crops such as enset and coffee. Livestock also play a major role in crop production in areas cereal production (draught power) in addition to meat and milk; it also represents prestige and asset to the households ((Wonsho, BoA, 2022).

Figure 3.1 Map of the study area



Source: Own sketch from Google map (2023)

3.2 Research Design

Research design were the blue print for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and

analyzing the needed information. In addition, it must ensure that the information collected is appropriate for solving a problem (John Adams, Hafiz, Robert, and David, 2007). Descriptive research designs are those studies which are concerned with describing the characteristics of a particular individual, or of a group (Kothari, 2004).co relational designs provide an opportunity for you to predict scores and explain the relationship among variables (Creswell, 2012).

The research design for this study both use a mixed research design in qualitative and quantitative data collection and analysis methods are employed explanatory co relational research design and descriptive research design. Descriptive research design helps to describe the factor and explanatory research design to examine the factors which influence on Entrepreneurial Business performance in wonsho worda. An explanatory research design is a correlation design in which the research was interested in the extent to which two variables (or more) co-vary, that is, where changes in one variable are reflected in changes in the other. Explanatory designs consist of a simple association between two variables or more than two (Creswell, 2012). And also the researcher utilized predominantly quantitative research approach because the researcher were collect numeric data from a large number of people using instruments with preset questions and also it helps to describe a research problem through a description of trends or a need for an explanation of the relationship among variables (Creswell, 2012).

3.3 Types and source of data

For this research the main sources of data to include both primary and secondary data sources. In addition, both qualitative and quantitative data was collect from its source. Thus the researcher intended to utilize mixed use data types. Primary data was to collect using semi-structured questionnaires from micro and small enterprises owners. Secondary data was to collect through conducting interview with micro and small enterprise extension coordinators (development agents), from annual reports and research documents conducted by different authors also the micro and small enterprise Agency. Personal interview is preferred. In order to gain feedback and for probing purposes; because individuals may be reluctant to issues which they thought are sensitive. In addition, employees of those MSEs was simply randomly sampling to be selected from the district area, within the time by using inferential and descriptive statistics.

3.4 Study population

The study was conducted in all MSEs operating in wonsho woreda Administrative specifically enterprise found in, Halakana kebele, Bokasso town, Hunkute kebele and Adegna ferro kebele. Currently there are 824 owners under and sampling size for this study consisted of 269 based on Yemane formula 1967.the study was depend only on current users of wonsho woreda enterprises report, (2023)

3.5 Sample size

The sampling frame for this study consists 824. These individuals was participant in various kebele of wonsho woreda. The list from which the sample was draw were obtain. Sampling frame refers to the list of elements from which the sample is actually drawn, and is closely related to the population (Cooper and Schindler, 2001). According to Cooper and Schindler (2011) it is a complete and correct list of population members only. However, it is important to note that the sampling frame often differs from the theoretical population because of errors and omissions. It is therefore a matter of judgment when it comes to exactly how much inaccuracy one can accept while choosing a sampling frame. Sampling refers to the process by which part of the populations in selected and conclusions are drawn about the entire population (Cooper and Schindler, 2001).

The researcher used Yamane' (1967) formula to calculate sample size as shown below:

Therefore, the number of the sample sizes is the summation of samples of each stratum. $n = n1 + n2 + n3$

whereas, n is drawn from the total population , the sample size is determined at 5 % margin of error and 95% confidence level using sample determination method.

$$n = \frac{N}{1+N(e)^2}; \text{ (Yamane, 1967).} \quad \text{Where, } n = \text{the sample size}$$

N = the total population

e = margin of error = 0.05.

$N= 824$ (Source: wonsho woreda enterprise report 2023)

$$n = \frac{824}{1+824(0.05)^2} = 269 \text{ of each stratum were determined as follows.}$$

Table 3.1. Distribution of target population

No	Name of kebele	Type of business	Number of individuals	Total individuals	Proportion of sample size
1	Halakana	Agriculture	47MSEs=237 individuals	824	$\frac{237}{824} \times 269 = 78$
2	Bokaso	Service	38MSEs=192 individuals		$\frac{192}{824} \times 269 = 63$
3	Hunkute	Manufacturing	37MSEs=185 individuals		$\frac{185}{824} \times 269 = 60$
4	Ferro	Trade employment	42MSEs=210 individuals		$\frac{210}{824} \times 269 = 68$
Total			164MSEs or 824 owners		269
Sampling					Proportion stratified random sampling method

Source: Wonsho woreda enterprises reports (2023)

3.6 Data collection methods

In this research both qualitative and quantitative data study was collected from both primary and secondary data sources. The mix use of these data types is from the standpoint that insufficiency and incompleteness was minimized. Primary data was collected from micro and small enterprises with in semi-structured questionnaires with interview. The secondary data is collected from micro and small enterprise, rural Agriculture extension coordinators, the Micro and Small Enterprise Agency, and Bureau of Agriculture and Extension Development Representative with interview and informal discussion was held with extension workers about the study objectives. The second section of questionnaire describes various factors that affect entrepreneurial Business performance of MSEs. The researcher used a five-point Likert scale anchored to measure the argument level which is denoted by 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree. The study also used participatory methods like focus group discussion and key informants' interviews to collect qualitative data and other relevant information from the members. Data was selected from the district area, within the time and analyzed by using descriptive statistics.

3.6.1 Sampling Technique

Proportional stratified random sampling technique is used in the selection of sample elements of the sample. There are total 164 enterprises or 824 individuals in wonsho woreda or in 19 kebele. From those enterprises 269 individual MSEs were selected by stratified random sampling selection method. The main source of data for the study was to employees in selected areas, books, journals, documents and web sites related to the problems were reviewed to have back ground information about the problem.

3.6.2 Focus group discussion

To generate more information on the problem under study, the, second phase of the data collection involved with Focus group discussion. The focus group discussion was carried out between Jan and Feb 2024 after a preliminary analysis of the general survey results. The purpose of these was to clarify issues from the questionnaires and quotations from these interviews were used to support the quantitative data.

Focus group discussion were carried out among six groups and selected through simple random sampling. Each group discussion were conducted in the respondent's work place and lasted between 30 and 40 minutes. Discussion' were assured of anonymity and confidentiality during the interviews and in the reporting of the interviews. The focus group discussion was translated in to local language from the participants. The questionnaire were prepared in both English and Amharic languages.

3.7 Data Analysis Methods

After collecting the data through questionnaire and interview, the process of analysis begins. Analysis of data in this research was done by using statistical tools like regression and correlation model. Regression analysis is used to know by how much the independent variable i.e. factors explain or influence the dependent variable which is Entrepreneurial business performance. Correlation analysis also conducted to measure the strength of the association between factors dimensions and entrepreneurial business performance.

Quantitative research approach has been used in the study. To analyze the data, different kinds of statistical methods including descriptive statistical tools like mean, and standard deviation has been employed to illustrate the level of agreements of the respondents and its implication, regarding the demographic characteristics and the variables. In addition to descriptive statistical tools, inferential

statistical tools like correlation analysis are used to statistically identify the significant relationship between the independent variable and the dependent variable. The multiple linear regression analysis is used to predict the value of the dependent variable using the values of the independent variables and to test all hypotheses in the regression model. Furthermore Analysis of Variance (ANOVA) is used to test the significance of the regression model. All the analysis methods were assisted by the SPSS (Statistical Package for Social Science) software Version 23.

3.7.1 Multiple linear regression and model specification

Where, Y =Dependent variable (Entrepreneurial business performance)

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \epsilon_0$$

β_0 is constant term

$x_1, x_2, x_3, x_4, \dots, x_5$ = Independent variable

β_1x_1 is regression coefficient of financial factor

β_2x_2 is regression coefficient of infrastructure factor

β_3x_3 is regression coefficient of marketing skill factor

β_4x_4 is regression coefficient of legal and regulatory environment factor

β_5x_5 is regression coefficient of business information factor

ϵ_0 = error term

3.8 Validity of the questionnaire

The study instrument will content-validated. According to Donald and Pamela (2001), content validity is determined by an expert judgment. The university supervisors examined the instruments to find out whether they addressed all the specific objectives of the study that they intend to measure and ensure its appropriateness, completeness and accuracy. They were relied upon to determine whether items in the instrument were adequate representation of all the areas that are under investigation.

3.9 Reliability Test

Pre-testing were done to enhance consistency and dependency, accuracy and adequacy of the instruments. Consistencies of the test items were measured by the degree to which the test items attracted similar and related responses from the samples in the pilot testing exercise.

3.9.1 Reliability of questionnaire

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Kothari (2009), reliability refers to consistency of measurement; the more reliable an instrument is, the more consistent the measure. The researcher was used split-half procedure to test the reliability of the questionnaire through piloting. The split-half reliability technique involves splitting items in a scale into two halves and correlating the results of each half with each other. If the correlations are high, then both parts of the scale are deemed to be measuring the same construct. A test will be administered to a group of 5 respondents at random. The test was split into halves (each half is an alternative form); finally the results from one half were correlated with the results from the other one half to determine the reliability.

3.10 Reliability Test

Pre-testing were done to enhance consistency and dependency, accuracy and adequacy of the instruments. Consistencies of the test items were measured by the degree to which the test items attracted similar and related responses from the samples in the pilot testing exercise. In order to determine the reliability of the questionnaire in the study, Cronbach alpha was computed for each of the five independent variables and for the one dependent variable. The reliabilities (Cronbach alphas) were presented in table. The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Mahon and Yarcheski (2000).the less variation of the instrument producing in repeated measurement of an attribute the higher its reliability. Reliability can be quoted with the stability, consistency, or dependability of a measuring tools internal reliability (Hairetal.2003).

Table 3.2.Cronbach alpha for factors of Entrepreneurial Business Performance of MSEs

No	Factor of MSEs performance	Number of Item	Cronbach's Alpha
1	Financial	5	.860
2	Infrastructure	5	.786
3	Marketing skill	5	.783
4	Legal and Regulatory	5	.798
5	Business information	5	.823
6	Business Performance	5	.821

Source: Survey Result (2024).

According to Mcmillian and Schumacher (2010), a good rule of thumb is that the reliability needs to be 0.7 or higher. This means that in this research all the variables have reliability values greater than 0.7 as shown in the above table. This indicates that the reliability is accepted.

3.11 Ethical considerations

Researcher provided adequate and clear explanation on the purpose of the study to the respondents and their voluntary participation and consent required. Respondents were also assure of confidentiality of the information that they provided since they was not require to indicate their names on (anonymity) questionnaires thus hiding their identities.as explained earlier before beginning field work the researcher requested permission from the Wonsho woreda MSEs to conduct the research. The researcher was proceed to seek permission from the selected micro and small scale enterprise to be studied.. It also maintained consistency for all respondents. The letter, which is in the appendix, acknowledged the respondents' rights to voluntarily participate in the study and to withdraw at any time so that the respondents was not force or coerced to participate in the study.

The purpose and procedures of the study was communicated in the letter or explanation. Respondents were also notified of their right to ask questions, get feedback from the findings and have their privacy respected and to be informed of any benefit arising from the study (Creswell, 2003:64 - 65). The researcher made sure that accurate information was provided to respondents and officials. As Creswell (2003:67) notes, research was committed to the avoidance of words, phrases or language that are biased a person because of gender, ethnic group, age, religion or disability.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

This chapter presents the end result of the study in which quantitative techniques were used in Analyzing the data. Out of 269 questionnaires distributed for the selected members of MSEs 261 were returned giving a response rate of 97.02 percent.

This part of the questionnaire requested a limited amount of information related to personal and professional characteristics of respondents. Accordingly, the following variables about the respondents were summarized in table 4.1. These variables include: Sex, age, educational level and type of business, work experience. The results from the collected data and their respective interpretations. The following sub-chapters covered the general information of respondents, which involves analysis of the demographic information of respondents, Pearson Correlation, the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 23. The theories in Chapter two not only describe the models which help to find out the results for this research, but also support in explaining the received results throughout this chapter.

4.1 Descriptive analysis

4.1.1. Response rate

A total of 269 questionnaires were distributed to MSEs Operators in four kebele in Sidama regional state central zone wonsho woreda. Four type of business were selected to assess the influence of independent factors on the business performance of MSEs. 261 questionnaires were filled up and returned making the response rate 97.02 percent. This indicates that, the respondents were committed to give information relevant to the research under study. Further investigation is made to check if the response to each item in the survey is perfectly addressed and it is found that 8 (2.98) questionnaires are incomplete which implies a 97.02% response rate. Unreturned the eight questionnaires that are found to be incomplete or non-usable this relied on 261 questionnaire to generate the necessary data useful to conduct analysis.

Table4. 1. Response rate on questionnaire distributed to MSEs operators

Response rate	Frequency	Percent
Response	261	97.02
Non response	8	2.98
Total	269	100

Source: Survey result (2024)

4.1.2. Analysis of Demographic Variables

In this part of the study the researcher aimed to present the result of respondents back ground and personal information like gender, age, educational level, experiences of operators in the business and the type of business sectors they engaged. The aim of demographic variables analysis is to get personal information that can influence business activities and success of micro and small enterprises in Wonsho worda.

Table4. 2. Demographic characteristics of respondents

Demographics	Categories	Frequency	Percent
Gender	Male	197	75.5
	Female	64	24.5
	Total	261	100.0
Age	18- 25 years	21	8.0
	26 -35 years	184	70.5
	36 - 45 years	39	14.5
	above 45 years	17	6.5
	Total	261	100.0
Work Experience	1-4 years	98	37.5
	5-8 years	150	57.5
	9 -12 years	10	3.8
	above 12 years	03	1.1
	Total	261	100.0
Educational Level	Below high school	21	8.0
	High School	50	19.2
	Certificate and Diploma	164	62.8

	Bachelor Degree above	26	10.0
	Total	261	100.0
Types of Business Sector	Manufacturing	35	13.4
	Service providing	34	13.0
	Agriculture	134	51.4
	Trade employment	58	22.2
	Total	261	100.0

Source: Survey result (2024)

As it is stated in table 4.2 from out of 261 respondents' 75.5percent were male while there main 24.5percent of there pendants were female. This indicates that majority of the respondents were male. This implies that female participation was lowering relative to male.

As described in table 4.2 about 8.0 percent of the respondents are in the age interval of 18 to 25 whereas 70.5 percent of the respondents are in the age interval of 26 – 35 in the age interval 14.5percent of the respondents are in the age interval of 36 to 45 years and 6.5 percent of the respondent are in the age above 45 years. From this we can infer that majority of the respondents are young and productive.

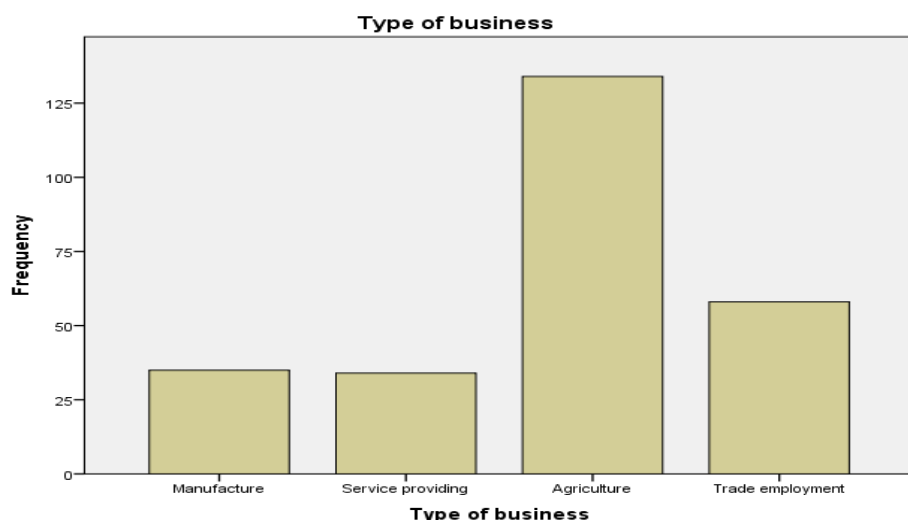
As it is also depicted in the tables 4.2 above, 37.4 percent of the respondents have worked 1 between 4 years where as 57.5 percent of the respondents have work experience between 5 to 8 years while there maining.3.8percent the respondents have work experience between 9 to 12years and 1.1percent of the respondent have work experience above 12 years. This implies that majority of the respondents are good on establishing, maintaining and enhancing long –lasting relationships with customers in order to improve business performance.

As far as the educational qualification of respondents is concerned table4.2 depicts that about 19.2percent of the respondents were High school where as 62.8percent were certificate and Diploma 10.0 percent of the respondent were BA degree holders and above and 8.0percent of the respondents were below high school. From this data we can infer that the educational status of the given individuals has a great value to do with efficiency and effectiveness.

4.2. Nature of MSE in the Study Area

There are different varieties of MSEs in different places. In the study area seven, types of MSEs are documented by micro and small enterprise office in Wonsho woreda. These are Agriculture, metal and wood work, food processing, Sheep breeding, textile and cloth, construction, service sector, Manufacturing and trade employment. But the later three are insignificant in number. Agriculture, Manufacturing, trade employment and Service providing, are investigated in the study area.

4.2.1 Type of business in the study area



Source :(Own survey data, 2024

Figure 4.1. Types of MSE in the study area

The result of this study showed that, the Agriculture sector takes highest share 51.3% followed by Trade employment 22.2%, Manufacturing takes the least share 13.4%. And service providing Agriculture accounts 13% on aggregate of the respondents from Wonsho woreda Agriculture enterprise activities includes making sheep breed, different food spices like Maize, potato, Teff, and other cereal crops. The reasons for highest share of agriculture sector in the study area different agriculture scoter aggregated. Service providing Sector this study includes tea and coffee, café, hotel, barber shop, and beauty salons etc. Manufacturing enterprise Metal and wood work enterprise includes door and window making, different household, and office equipment's made from wood.

4.2.2 Descriptive Statistics Analysis

Interpreted to explain a group of dimensions (Brayman & Bell, 2007). The researcher used all respondents' (n=261) responses from the questionnaire by using SPSS version 23; and MS Excel 2007

for overall mean computation of each scale items for the variables financial factors, infrastructure factor, marketing skill factors, legal and regulatory factors and business information the business performance of MSEs.

Standard deviation is a widely used measurement of variability or diversity used in statistics and probability theory. It shows how much variation or "dispersion" there is from the average (mean, or expected value). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data are spread out over a large range of values. The minimum and maximum values are also considered to show exact answers of the respondents of the questionnaire; because they are not all incorporated in that mean (average) value only. The sample mean is to show the majority of respondents as best predictors of the population and hence to infer for others.

This part explains factors that affect the performance of MSEs. Descriptive statistics is presented in the form of mean and std. deviation to demonstrate the level of agreement/disagreement of operators /owner managers with their implications to MSEs. The response of the operators /owner managers for the variables indicated below were measured on five point Likert scale with a code of 1= strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= strongly Agree. While making interpretation of mean and standard deviation the scales are designed as follows to make the interpretation easy and clear. Higher standard deviation indicates that dispersion/variation in owners/operators response whereas the lower standard deviation indicates that lower variation in the owners /operators response.

Table4. 3. Measuring parameters of Mean and Standard deviation

No	Parameter	Result
1	1	Strongly Disagree
2	2	Disagree
3	3	Neutral
4	4	Agree
5	5	Strongly Agree

Source: (al-Sayaadet.al,2006)

4.2.3 Analysis of Financial Factors

Table 4. Responses towards Financial factor

N=261										
No	Financial factor.	S.D	DA	Neu	A	S.A	Min	Max	Mea n	Std.
1	Credit institutions are sufficient to access loans easily.	111	23	22	87	18	1	5	2.53	1.479
		42.5	8.8	8.4	33.3	6.9				
2	There are governmental funds to support MSEs businesses.	35	164	35	26	1	1	5	2.21	.812
		13.4	62.8	13.4	10.0	0.4				
3	The interest rate charged by banks and other lending institutions is unreasonably high.	50	147	44	19	1	1	5	2.13	.819
		19.2	57.4	16.3	7.3	0.4				
4	There are non-governmental organizations (NGOs) funds to support my business	43	173	28	17		1	4	2.07	.728
		16.5	66.3	10.5	6.5					
5	Access to finance is a major challenge that affects the growth of our business	41	165	43	14	1	1	5	2.11	.740
		15.7	63.2	15.3	5.4	0.4				
Grand Mean							1	5	2.21	0.9156
Note that: SD = Strongly Disagree, DA= Disagree, N=Neutral, A= Agree and SA= Strongly Agree, Std = Standard deviation, Min. = Minimum and Max. = Maximum.										

Source: Field survey (2024)

Table 4.4 has a minimum value of 1 and a maximum value of 5. As indicated in table 4.4 above most of the respondents 87(33.3%) agreed that for the statement “Credit institutions are sufficient to access loans easily”. In addition to this 18(6.9%) of the respondents strongly agreed on the item. The rest 22(8.4%), 111(42.5%) and 23(8.8%), responded neutral, strongly disagree and, disagree to the questions respectively. The results imply that the performance of MSEs mostly affected by financial factors in the study area. The mean result (2.53%) also shows that respondents disagreed that they Credit institutions are insufficient to access loans easily. as it is presented in the table 4.4 above, only (10.0%) of the respondents’ agreed and 0.4% of the respondents also strongly agreed to item 2 and 13.4% of the respondents’ neutral on the issue. In contrast 62.8 and 13.4 percent of the respondents disagree and strongly disagree respectively with the statement “There are governmental funds to support MSEs businesses”. The mean result (2.21 also indicated that respondents disagreed for this item. From this governmental funds not support MSEs businesses.

As shown in table 4.4 above, 7.3 % of respondents agreed in that their “the interest rate charged by banks and other lending institutions is unreasonably high”. Plus to this 0.4 percent of the respondents strongly agreed on this item. In contrast, 19.2 and 57.4 percent of the respondents strongly disagreed and disagreed respectively. The mean result (2.13) also shows that respondents disagreed for this item (The interest rate charged by banks and other lending institutions is unreasonably high) this implies that the interest rate charged by unreasonably high has negative impact on business performance.

As it is presented on the table 4.4, most of the respondents (6.5 %) agreed and Most of the respondent (16.5) and (66.3 %) of the respondents strongly disagreed and disagreed respectively. The mean value (2.07) also shows that respondents disagreed for this item. (There are non-governmental organizations (NGOs) funds to support my business) (This implies that not enough funds to support our business.

As it is presented in the table 4.4 above, (5.4%) of the respondents’ agreed and 0.4% of the respondents also strongly agreed to item 5 and 15.3% of the respondents’ neutral on the issue. In contrast 63.2 and 15.7 percent of the respondents disagree and strongly disagree respectively with the statement “Access to finance is a major challenge that affects the growth of our business”. The mean result (2.11 also indicated that respondents disagreed for this item. From this finance Access is a major challenge of growth of our business. In table 4.4 above, based on the criterion stated under table 4.4 above, grand mean value of the items fall at “Disagree level”. This indicates that all cases are critical factor which hinder business performance of MSEs in the study area. The mean value and standard deviation clearly shows

respondents disagreement on the variables. The grand mean value of (2.21) shows that financial factors of mostly affect the business performance of MSEs.

4.2.4 Analysis of Infrastructure Factors

TABLE4. 5. Responses towards Infrastructure Factors

N=261										
No	Infrastructure factor	S.D	DA	Neu	A	S.A	Min	Max	Mean	Std.
1	There are frequent electric power interruptions	113	24	32	80	12	1	5	2.44	1.417
		43.3	9.2	12.3	30.7	4.6				
2	The water supply system is insufficient and with frequent interruption	49	157	34	21		1	5	2.10	.795
		18.8	60.2	13.0	8.0					
3	There is adequate road access in my business area	102	23	49	76	11	1	5	2.51	1.369
		39.1	8.8	18.8	29.1	4.2				
4	The transportation service is insufficient and not quick.	25	140	80	15	1	1	5	2.34	0.745
		9.6	53.6	30.7	5.7	0.4				
5	we have got technology support from a micro and small institute	21	142	74	23	1	1	5	2.39	.775
		8.0	54.4	28.4	8.8	0.4				
Grand Mean							1	5	2.356	1.02
Note that: SD = Strongly Disagree, DA= Disagree, N= Neutral, A= Agree and SA= Strongly Agree, .Std= Standard deviation, Min. = Minimum and Max. = Maximum.										

Source: Field survey (2024).

Table 4.5 has a minimum value of (1) and a maximum value of (5). From the table shown 4.5above, we can see that 30.7 percent of the respondents agree with the statement “There are frequent electric power interruptions” and 4.6 percent of the respondents strongly agree on the issue. On the other hand 12.3 percent of the respondents neutral on the item. On the contrary, 9.2and 43.3 percent of the

respondents disagree and strongly disagree respectively on the issue. The mean value 2.44 result implies that the performance of the business also affected of frequently electric power interruptions of business performance of MSEs

The other drawback identified in Micro and Small enterprises is the water supply system is insufficient and with frequent interruption. Since they don't have their sufficient or with poor infrastructure and are detached from the large enterprises which affect the Micro and Small Enterprises (Liedholm, 2002).

From the above table it is possible to see that most of the respondents (8.0%) of the respondents agreed on questions forwarded about the water supply system is insufficient and with frequent interruption.

In addition issue 13.0 percent of the respondent's neutral on the statement. In contrast, and 60.2 and 18.8 percent of the respondents' disagreed and strongly disagreed. The mean result (2.10) also indicated that respondent disagreement to the statement. This indicates that lack of sufficient water supply system affects their MSEs performance.

Even though the government pays more attention on the construction and expansion of infrastructure, the infrastructure are constructed to the manufacturing of micro and small enterprises are located far from rural area.

As it is presented on the table, the majority of the respondents 29.1 percent of the response showed agreed to the item. In addition to this 4.1 percent of them strongly agree and 18.8 percent of the respondents' neutral to the statement.

On the contrary, 8.8 and 39.1 percent of the respondents' gives disagreed and strongly disagreed responses respectively. The mean result (2.51) also indicated that respondents disagreement on the item. From the result we can conclude that the business performance of MSEs highly affected by in Wonsho Woreda central zone.

From the table 4.5 we can see that the response of respondents on possessing of "The transportation service is insufficient and not quick". As it is presented on the table, the majority of the respondents 53.6 percent of the responses disagreed to the question. In addition to this 30.7 percent of them gives neutral and 9.6 percent of the respondents' strong disagreed to the item. 5.7 And 0.4 percent of the respondents agreed and strong agreed responses respectively.

The mean result (2.34) also indicated that respondent disagreement on the item. From the result we can conclude that the business performance of MSEs affected by transportation service is insufficient and not quick.

From the table 4.5 we can see that the response of respondents on possessing of suitable from the table 4.5 we can see that the response of respondents on possessing of suitable “There is adequate road access in my business area”. As it is presented on the table, respondents 54.4 percent of the response showed disagreed to the item. In addition to this 8.0 percent of them strongly disagreed and 28.4 percent of the respondents’ neutral to the statement.

On the contrary, 8.8 and 0.4 percent of the respondents’ gives agreed and strongly agreed responses respectively. The mean result (2.39) also indicated that respondent’s disagreement on the item. From the result we can conclude that the business performance of MSEs highly affected by lack of technology support from a micro and small institute in Wonsho Woreda Sidama Regional state central zone.

Table 4.5 above presents the infrastructure factors affecting business performance of MSEs. The overall mean score of this variable is 2.35. According to the criterion set under table 4.3, the mean value falls at “Disagree level” of the response rate. It has also the overall minimum mean value of 2.10 that falls around “disagrees level” and maximum mean value of 2.51 equivalent to disagree level for five infrastructure factor items. The overall mean value of this item implies that respondents were not decided on infrastructure.

4.3 Analysis of Marketing Skill factors

Table4. 6. Responses towards Marketing Skill Factors

N=261										
No	Marketing Skill Factors	S.D	DA	Neu	A	S.A	Min	Max.	Mean	Std.
1	Access to business information affects the performance of my business	19	138	86	18		1	4	2.39	.724
		7.3	52.9	30.0	6.9					
2	We have inadequate market access for my product/service	28	142	68	23		1	4	2.33	.784
		10.7	54.4	26.1	8.8					
3	We have problems of formulating marketing strategy	21	137	76	27			4	2.42	.783
		8.0	52.5	29.1	10.3					
4	Business information is readily available in this market	25	128	81	27		1	4	2.42	.803
		9.6	49.0	31.0	10.3					
5	Lack of establishing a market network	34	136	65	26		1	4	2.32	.824
		13.0	52.1	24.9	10.0					
	Grand Mean						1	5	2.237	0.783
<p>Note that: SD = Strongly Disagree, DA= Disagree, N= Neutral, A= Agree and SA= Strongly Agree, .Std.Dev= Standard deviation, Min. = Minimum and Max. = Maximum.</p>										

Source: Field survey (2024).

In table 4.6 above 6.9 percent of the respondents agreed respectively concerning Access to business information affects the performance of my business and 30.0 percent of the respondents' neutral on the item.

Based on the criterion stated under table 4.6 above, mean value of all items was fall at “disagree level”. This indicates that all stated items are critical challenges which hinder business performance of MSEs in the study area. The mean value and standard deviation clearly showed respondents disagreement on the variables.

On the contrary, 52.9 and 7.3percent of the respondents’ disagreed and strongly disagreed to the question. The result implies that the business performance of MSEs greatly affected by access information affects business performance of MSEs

In the same table 4.6 above, 8.8 percent of the respondents’ agreed respectively. 26.1 percent of the respondents’ neutral on the issue. In contrast, 54.4 and 10.7 percent of the respondents disagree and strongly disagree on the item “We have inadequate market access for my product/service”. The mean value of (2.33) also shows that respondents disagreed for this no inadequate market access for my product/service has a mean value of (2.33) and standard deviation (0.783). From this we can also conclude that, have no adequate market access for our product/service so affects the business e performance of their MSEs.

Table 4.6 showed respondents’ responses on We have inadequate market access for my product/services. In table 4.6, most of the respondents 54.4 and 10.7 percent of the responses disagree and strongly disagreed on the item. We have of inadequate market access for my product/service. 26.1 percent of the respondents are neutral on the issue. In contrast, 8.8 percent of the respondent’s response agreed respectively on we have of inadequate market access for my product/service. This implies that the performance of MSEs is also affected by Lack of inadequate market access for my product/service.

Table 4.6 has a minimum value of (1) and a maximum value of (5). Access to business information affects the performance of my business has a mean (2.39) and standard deviation (0.724) We have inadequate market access for my product/service Duties has a mean value of (2.33) and standard deviation (0.784), We have problems of formulating marketing strategy has a mean value of (2.42) and standard deviation (0.783), Business information is readily available in this market as a mean value of (2.42) and standard deviation (0.803). Lack of establishing a market network has a mean value of (2.32) and standard deviation (0.824)

In table 4.6, the grand mean value of (2.237) so that marketing skill factor greatly affect the business performance of MSEs in the study area.

Based on the criterion stated under table 4.6 above, mean value of all items was fall at “Disagreed” level. This indicates that all raised items (issues) are critical challenge which hinder business performance of MSEs in the study area.

Table 4.6 above discussed factors related to marketing factors that affect MSEs business performance. The overall mean score of this variable is 2.237. According to the criterion in table 4.3, the mean value falls at “disagree level”. It has also the overall minimum mean value of 1 equivalent to strongly disagree level and maximum of 5 strongly agree level for five scale marketing skill the business items of the variable. The mean score of this variable implies that marketing skill factors hinder the MSEs business performance in study area.

4.3.1 Analysis of Legal and Regulatory Factors

TABLE4. 7. Responses towards Legal and Regulatory Factors

N=261										
No	Legal and Regulatory Factors	S.D	DA	Neu	A	S.A	Min	Max	Mean	Std.
1	The tax levied on micro and small enterprises is not reasonable	33	131	78	18	1	1	5	2.32	.797
		12.6	50.2	29.9	6.9	0.4				
2	Bureaucracy in micro and small enterprises registration and licensing	9	26	68	119	39	1	5	3.22	.975
		3.4	10.0	26.1	45.6	14.9				
3	Lack of government support MSEs.	8	22	74	131	26	1	5	2.60	.895
		3.1	8.4	28.4	50.2	10.0				
4	Political intervention and instability in MSEs	9	26	52	144	30	1	5	2.26	.936
		3.4	10.0	19.9	55.2	11.5				
5	Lack of accessible information on government regulations that are relevant to our MSEs	9	12	69	139	32	1	5	3.6	.878
		3.4	4.6	26.4	53.3	12.3				
	Grand Mean						1	5	2.42	0.894

Note that: SD = Strongly Disagree, DA= Disagree, N= Neutral, A=Agree and SA= Strongly Agree, .Std.Dev= Standard deviation, Min. = Minimum and Max. = Maximum.

Source: Field survey (2024).

In table 4.7 above 6.9 and 0.4 percent of the respondents agreed and strongly agreed respectively on the item 1 The tax levied on micro and small enterprises is not reasonable the MSEs business performance and 29.9percent of the respondents' neutral on the issue. On the contrary, 12.2 and 50.2percent of the respondents' disagreed and strongly disagreed to the question. The result implies that the business performance of MSEs affected by tax levied on micro and small enterprises is not reasonable.

In the same table 4.7 above, 45.6 and 14.9 percent of the respondents' agreed and strongly agreed respectively on the item "Bureaucracy in micro and small enterprises registration and licensing". 26.1 percent of the respondents' neutral on the issue. In contrast, 10.0and 3.4 percent of the respondents disagree and strongly disagree. From this we can also conclude that there have Bureaucracy in micro and small enterprises registration and licensing. The affects business performance of MSEs.

Table 4.7 showed respondents' feedback on the item 3 "Lack of government support MSEs '. In table 4.7, most of the respondents 50.2 and 10.0 percent of the responses agree and strongly agreed on the item "Lack of government support MSEs".28.4 percent of the respondents are neutral Lack of government support MSEs done the issue. In contrast, 8.4 and 3.1 percent of the respondents 'response disagreed and strongly disagreed respectively. This implies that the business performance of MSEs is also affected by government support MSEs.

As it is presented in table 4.7 above, most of the respondents 55.2 and 11.5 percent of them agreed and strongly agreed respectively and 19.9 percent of them gives response neutral to the item "Political intervention and instability in MSEs". On the contrary, 10.0 and 3.4 percent of the respondents give their response disagreed and strongly disagreed respectively on the issue. This implies that the business performance of MSEs mostly affected by the mentioned problem above.

Table 4.7 showed respondents' response on item 4 "Political intervention and instability in MSEs". In table 4.7, most the respondents 55.2 and 11.5 percent of the responses agree and strongly agreed for the item. 19.9 percent of the respondents are neutral on the issue. In contrast, 10.0 and 3.4 percent of the respondents 'response disagreed and strongly disagreed respectively. This implies that the performance of MSEs is also affected by Political intervention and instability in MSEs.

As it is presented in table 4.7 above, most of the respondents 12.3 and 53.3 percent of them agreed and strongly agreed respectively and 26.4 percent of them give response neutral on the issue. On the contrary, 4.6 and 3.4percent of the respondents give their response disagreed and strongly disagreed respectively on the issue. This implies that the performance of MSEs mostly affected.

Table 4.7 has a minimum value of (1) and a maximum value of (5). has a mean value of (2.32) and standard deviation (0.797),the item 1 “The tax levied on micro and small enterprises is not reasonable” has a mean value of (3.22) and standard deviation (0.975)and item 2 “Bureaucracy in micro and small enterprises registration and licensing”, has a mean value of (2.60) and standard deviation (0.895)in the same way item 3 “Lack of government support MSEs” has a mean value of (2.26) and standard deviation (0.936) and item 4 “Political intervention and instability in MSEs” has a mean value of (3.6) and standard deviation (0.878). In table 4.7, the grand mean value of (2.42) revealed that legal and regulatory factors strongly affect the business performance of MSEs in the study area.

Based on the criterion stated under table 4.7 above, mean value of all items was fall at “disagree level”. This indicates that all problems are critical challenges which hinder business performance of MSEs in the study area. The grand mean value 2.42 and standard deviation 0.794 clearly shows that respondent’s disagreement on the variables.

In general table 4.7 above presents training factors which affect MSEs performance in the study area. The overall mean value of the variable is 2.42. Based on the criterion set in table 4.3, the mean value falls to “disagree level” of response rate. It has also the overall minimum mean value of 1 equivalents to strongly disagree level and maximum mean value of 5 equivalents to strongly agree for the legal and regulatory factors under the variable. The mean value of this variable implies that legal and regulatory factors are determinant of MSEs performance in study area.

4.3.2 Analysis of Business information factors

TABLE4. 8. Responses towards Business information Factors

N=261										
No	Business information Factors	S.D	DA	Neu	A	S.A	Mi	Max	Mean	Std.
1	Business information is readily available	35	182	35	9		1	4	2.07	.635
		13.4	69.7	13.4	3.4					
2	The information available is relevant for our business	18	207	35	1		1	4	2.07	.463
		6.9	79.3	13.4	.04					
3	The information available informs us of the changes in the business environment	24	193	39	5		1	4	2.10	.557
		9.2	73.9	14.9	1.9					
4	The information available inform us of the business registration requirements	31	207	22	1			4	1.97	.467
		11.9	79.3	8.4	0.4					
5	The information necessary for our business growth is availed on time	28	196	32	5		1	4	2.05	.552
		10.7	75.1	12.3	1.9					
Grand Mean							1	5	2.052	0.534
Note that: SD = Strongly Disagree, DA= Disagree, N=Neutral, A= Agree and SA= Strongly Agree, .Std.Dev= Standard deviation, Min. = Minimum and Max. = Maximum.										

Source: Field survey (2024).

As shown in table 4.8 above 3.4percent of the respondents agree and on the item “Business information is readily available to us”. In contrast, 69.7 and 13.4percent of the Respondents’ disagreed and strongly disagreed respectively.13.4 percent of the respondents’ neutral on the issue. This implies that the respondents were disagreed on the item.

In table 4.8 above 0.4 percent of the respondent’ agreed on the item “The information available is relevant for our business”.23.0 percent of the respondents’ 13.4on the issue. On the other hand 76.3 and 6.9 percent of the respondents disagreed and strongly disagreed on the item. This implies that, this item disagreed. Table 4.8 shows the response of respondents ‘on stated question “The information

available informs us of the changes in the business environment”. In the table above, most of the respondents 79.3 and 9.2 percent of them responded disagreed and strongly disagreed respectively and 14.9 percent of the respondents ‘response is neutral. In contrast, 1.9 percent of them responded agree on the issue. This implies that, information available changes in the business environment their MSEs performance in the study area.

Table 4.8 showed respondents’ response on the item “The information available inform us of the business registration requirements”. In table 4.7, most of the respondents 79.3and 11.9 percent of the responses disagreed and strongly disagreed on the stated issue. 24.3 percent of the respondents are neutral 8.4. In contrast, 0.4 percent of the respondents were agreed respectively. This implies that the performance of MSEs is also affected business information available registration requirements.

As it is presented in table 4.8 above, most of the respondents 75.1and 10.7 percent of them disagreed and strongly disagreed respectively and 12.3 percent of them give response “neutral” for the item “The information necessary for our business growth is availed on time”. On the contrary, 1.9 percent of the respondents give their response agreed respectively on the issue. This implies that the performance of MSEs mostly affected our business growth on time has no availed necessary information.

Table 4.8 has a minimum value of (1) and a maximum value of (5). Item 1“Business information is readily available to us ” has a mean value of (2.07) and standard deviation 0.635 and only Business information related factor that greatly affects the performance of MSEs. Other items “The information available is relevant for our business” has mean value of (2.07 and standard deviation (0.463) similarly item 3 “The information available informs us of the changes in the business environment” has mean value of (2.10) and standard deviation (0.557). Similarly, item 4“The information available inform us of the business registration requirements” has mean value of (1.97) and standard deviation of (0.467).item 5 “The information necessary for our business growth is availed on time” has mean value of 2.05and standard deviation of (0.552).

In table 4.8, the grand mean value of (2.052and standard deviation (0.534) reveled that respondents were Disagreed for the Business information.

Based on the criterion stated under table 4.8 above, mean value of all items was fall at “Disagreed level”. This indicates that. The grand mean value and standard deviation clearly showed respondents Disagreed on the variables.

4.3.3 Analysis of business Performance Indicators

Performance is the accomplishments of a given task measured against present known standards of accuracy, completeness, cost and speed. Performance measurement is a quantifiable indicator used to assess how well an organization or business is achieving its desired objectives. Based on this idea performance indicators are evaluated in the following table according to the respondents response on the questions forwarded.

Table4. 9. Responses towards Business Performance of MSEs

N=261						
Business Performance of MSEs	Frequency	Percent	Min.	Max.	Mean	Std.
Our business has the potential to grow/expand	261	100	1	4	2.08	0.569
Strongly Disagree	27	10.3				
Disagree	190	72.8				
Neutral	39	14.9				
Agree	5	1.9				
Strongly Agree	0	0				
The growths of our business profit are not satisfactory	261	100	1	4	2.12	0.559
Strongly Disagree	22	8.4				
Disagree	191	73.2				
Neutral	43	16.5				
Agree	5	1.9				
Strongly Agree	0	0				
The our business profitable	261	100	1	4	1.09	0.561
Strongly Disagree	25	9.6				
Disagree	192	73.6				
Neutral	39	14.6				
Agree	5	1.9				
Strongly Agree	0	0				

our business profit increased from time to time	261	100	1	4	2.13	0.596
Strongly Disagree	22	8.4				
Disagree	191	73.9				
Neutral	39	14.9				
Agree	9	3.4				
Strongly Agree	0	0				
Ensure the reliability and integrity of financial information	261	100	1	4	2.10	0.564
Strongly Disagree	25	9.6				
Disagree	191	73.2				
Neutral	40	15.3				
Agree	5	1.9				
Strongly Agree	0	0				
Grand Mean			1	4	2.104	0.5698
Note that: SD = Strongly Disagree, DA= Disagree, N=Neutral, A= Agree and SA= Strongly Agree, .Std. Dev= Standard deviation, Min. = Minimum and Max. = Maximum.						

Source: Field survey (2024).

As shown in table 4.9 above 1.9 percent of the respondents ‘agreed on the item “Our business has the potential to grow/expand”. In contrast, 72.8 and 10.3 percent of the Respondents’ disagreed and strongly disagreed respectively. 14.9 percent of the respondents’ neutral on the issue. This implies that there were not our business potential to grow/expand. So, the performance of MSEs affected by of business growth.

In table 4.9 above 1.9 percent of the respondents were agreed on item “The growths of our business profit are not satisfactory”.16.5 percent of the respondents’ were neutral on the issue. On the other hand 73.2and 8.4 percent of the respondents were disagreed and strongly disagreed on this item.

Table 4.9 shows the response of respondents answer on the item “our business is profitable”. In the table above, 1.9 percent of respondents were responded agreed level respectively on the question concerning the business profitable 14.6 percent of the respondents were gives neutral response. In contrast, 73.6 and 9.6percent of them responded disagree and strongly disagree on the issue. The mean

value implies that, of our business profitable no enough profitable their MSEs business performance in the study area.

Table 4.9 showed respondents response on the item “our business profit increased from time to time”. In table 4.9, the respondents were agreed 3.4 percent of the responses agreed on the item. 14.9 percent of the respondents are neutral on the issue. In contrast, 73.9 and 8.4 percent of the respondents ‘response disagreed and strongly disagreed respectively on the item. The mean value (2.13) shows that the business performance of MSEs is also has no growth our business profit increase from continuousness. Table 4.9 showed respondents on the item “Ensure the reliability and integrity of financial information” As it is presented in table 1.9 percent of respondents agreed and 15.3 percent of them give response neutral and respondents on the contrary, 73.2 and 9.6 percent of the respondents give their response disagreed and strongly disagreed respectively on the issue.

Table 4.9 has a minimum value of (1) and a maximum value of (4). Increased customer satisfaction has a mean value of (2.08) and standard deviation (0.56) is greatly affects the performance of MSEs. Other The growths of our business profit are not satisfactory has mean value of (2.12) and standard deviation (0.559), The our business profitable has mean value of (1.09) and standard deviation (0.561) and our business profit increased from time to time has mean value of (2.13) and standard deviation of (0.596).

Table 4.9 shows the response of respondents ‘Ensure the reliability and integrity of financial information. In the table above, 1.9 percent of respondents responded agreed respectively on the question concerning. Ensure the reliability and integrity of financial information 73.2 percent of the respondents ‘response Disagreed.

In table 4.9, the grand mean value of (2.104) revealed that all items also affect the performance of MSEs. Based on the criterion stated under table 4.9 above, mean value items was fall at “disagreed level”. This indicates that all stated problems are mostly affects Business performance of MSEs in study area. The grand mean value (2.104) and standard deviation (0.569) clearly showed respondents disagreement on the item.

Table4. 10. Mean comparison of independent variables

No	Factors of performance (Independent variables)	Grand Mean Scores	Rank of Grand mean
1	Financial factors	2.21	4 th
2	Infrastructure Factors	2.35	2 nd
3	Marketing skill factors	2.23	3 rd
4	Legal and regulatory factor	2.42	1 st
5	Business information factors	2.05	5 th

Source: Field survey (2024).

As shown in table 4.10 above, the ranking of factors is used to determine the extent of contribution of variables for the Business performance of MSEs in Wonsho woreda central zone.

Based on table 4.10 above as grand mean comparisons, factors legal and regulatory factor (2.42) is the first determinant factors that play a great role on the business performance of micro and small enterprises in the study area. Followed by Infrastructure Factors (2.35) Marketing skill factors (2.23) Financial factors (2.21) and Business information factors (2.05)

4.4 Inferential Analysis

In this section, the results of inferential statistics are presented. For the purpose of assessing the objectives of the study, Pearson's product moment correlation coefficient and regression analysis were performed. With the aid of these statistical techniques, conclusions are drawn with regard to the sample and decisions are made with respect to the research questions.

Inferential analysis is concerned with the various tests of significance for testing hypotheses in order to determine what validity data can be said to conclusions. It is also concerned with the estimation of population values. It is mainly on the basis of inferential analysis that the task of interpretation (i.e., the task of drawing inferences and conclusions) is performed.

Pearson's Correlation and Multiple linear regressions are the main inferential statistical methods employed in this study to analyze the relationships between the dependent variable business Performance) and the independent Variables (financial factor, infrastructure, marketing skill, legal and regulatory and business information)

4.5 Pearson's Product Moment Correlation Coefficient

In this study Pearson's product Moment correlation Coefficient was used to determine whether there is significant relationship between financial factor, infrastructure factor, marketing skill factor, legal and regulatory factor and business information factor).The following section presents the results of Pearson's product Moment correlation on the relationship between independent variables and dependent variable. The table below indicates that the correlation coefficients for the relationships between business performance and its independent variables.

Table4. 11. Rule of thumb

Range of coefficient	Descriptive of strength
+0.8 to + 1.00	Very strong
+0.61 to + 08	Strong
+0.41 to + 0.60	Moderate
+0.21 to + 0.40	Weak
+00 to + 0.20	No relation

Source: (Bhattacharjee,2012).

Pearson's correlation coefficient (r) is a measure of the strength of the association between the two variables. According to Sekaran, U. (2003), in research studies that include several variables, beyond knowing the means and standard deviations of the dependent and independent variables, the researcher would often like to know how one variable is related to another. Theoretically, there could be a perfect positive correlation between two variables, which is represented by +1.0, or a perfect negative correlation which would -1.0. While correlation could range between -1.0 and +1.0, the researcher need to know if any correlation found between two variables is significant or not (i.e.; if it has occurred solely by chance or if there is a high probability of its actual existence). As for the information, a significance of $p=0.05$ is the generally accepted conventional level in social sciences research.

This indicates that 95 times out of 100, the researcher can be sure that there is a true or significant correlation between the two variables, and there is only a 5% chance that the relationship does not truly exist. The correlation matrix between dependent variable and independent variables are exhibited in Table 4.12 below. The findings from this analysis are then compared against the hypotheses developed for this study.

Table 4.12 the relationship between (Financial, Infrastructure, Marketing skill, Legal and regulatory Business information factors and Business performance of MSEs.

Independent variables		FC	INC	MSC	Land RC	BIC	BP
FC	Pearson Correlation	1					
	Sig. (2-tailed)						
	N						
INC	Pearson Correlation	.678**	1				
	Sig. (2-tailed)	.000					
	N	261	261				
MSC	Pearson Correlation	.662**	.716**	1			
	Sig. (2-tailed)	.000	.000				
	N	261	261	261			
Land RC	Pearson Correlation	.704**	.766**	.805**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	261	261	261	261		
BIC	Pearson Correlation	.660**	.788**	.558**	.577**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	261	261	261	261	261	
BP	Pearson Correlation	.867**	.768**	.729**	.790**	.755**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	261	261	261	261	261	261

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field survey (2024).

The results in table 4.12 indicated that, there is a positive and significant relationship between five independent variables and business performance. Financial factor, Infrastructure, Marketing skill,

Legal and regulatory and Business information. Financial factor and Business performance($r = 0.867$, $p < 0.05$), Infrastructure and business performance ($r = 0.768$, $P < 0.05$), Marketing skill and business performance ($r=0.729$, $p< 0.05$), Legal and regulatory and business performance ($r= 0.790$, $P < 0.05$), Business information and business performance ($r = 0.755$, $p< 0.05$).

Based on the criteria on table 4.12 five independent variables:-financial factor, infrastructure, marketing skill, legal and regulatory have strong positive relationship with dependent variable (business performance)

A strong correlation indicates that there is only small amount of error and most of the points lie close to the regression line, a weak correlation indicates that there is a lot of error. Based (hair et al., 2006 cited in mengstu 2016) the correlation coefficient between each pair of independent variables in the Pearson correlation should not exceed 0.9. This is because the data may be suspected to have serious collinearity problem if the correlation value exceed 0.90. In the table above the highest correlation coefficient is 86.7 percent that is between financial factor and business performance, which is less than 0.90. Hence, it is assumed that there is no multicollinearity problem in this research.

As it is clearly indicated in the above table 4.12, the first strong relationship was found between financial Factors and business and performance ($r = 0.867$, $p < 0.05$), the second strong correlation exist between Legal and regulatory Factors and business performance ($r = 0.790$, $p < 0.05$), which are statistically significant at 95% confidence level. This implies that at 5 % level of significance, it was discovered that financial Factors and Legal and regulatory plays an important role in determining the performance of MSEs in wonsho worda.

Moreover, the result on table 4.12 above further indicates that, Business information factor has third strong correlation and Infrastructure Factors is the fourth positive correlation. There is a substantial positive correlation between Marketing skill Factors and business performance ($r = 0.729$, $p < 0.05$) and financial Factors and performance of MSEs ($r = 0.867$, $p < 0.05$), which are statistically significant at 95% confidence level. This would imply that, the more Infrastructure Factors, financial the better performance of MSEs.

4.6 Regression Analysis

Regression model was applied to test how far the independent variable had influences on dependent variable. Regression analysis was applied to portray the dependence of one variable on the other variables (Kothari, 2004). Regression analysis in this study conducted to determine how much of one variable depends on the other. Before applying the model for testing the significance of the variables and analyzing the regression result, collinearity tests were conducted for identifying misspecification of data. The value of the correlation coefficient shows the strength of the correlation, and the regression provide with a linear model that could be used to predict values of the dependent variable using values of the independent variable. When researchers examine more than two variables they can extend the correlation and regression analysis to take account of these variables but still assume that the relationship between the variables is linear.

For the multiple regression, one must decide which variable is to be the dependent variable (also called the criterion variable) and which variables are to be the independent variables (also called the predictor variables). In case of the current study, the dependent variable is Entrepreneurial business Performance; symbolized by Y and the independent Variables are financial factor, infrastructure, marketing skill, legal and regulatory and business information.

The; symbolized by X_1, X_2, X_3, X_4, X_5 respectively. Therefore, the Multiple linear regression models could be: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where, Y =Entrepreneurial Business Performance

X_1 = Financial factors

X_2 = Infrastructure factor

X_3 = Marketing skill factor

X_4 = Legal and Regulatory factor

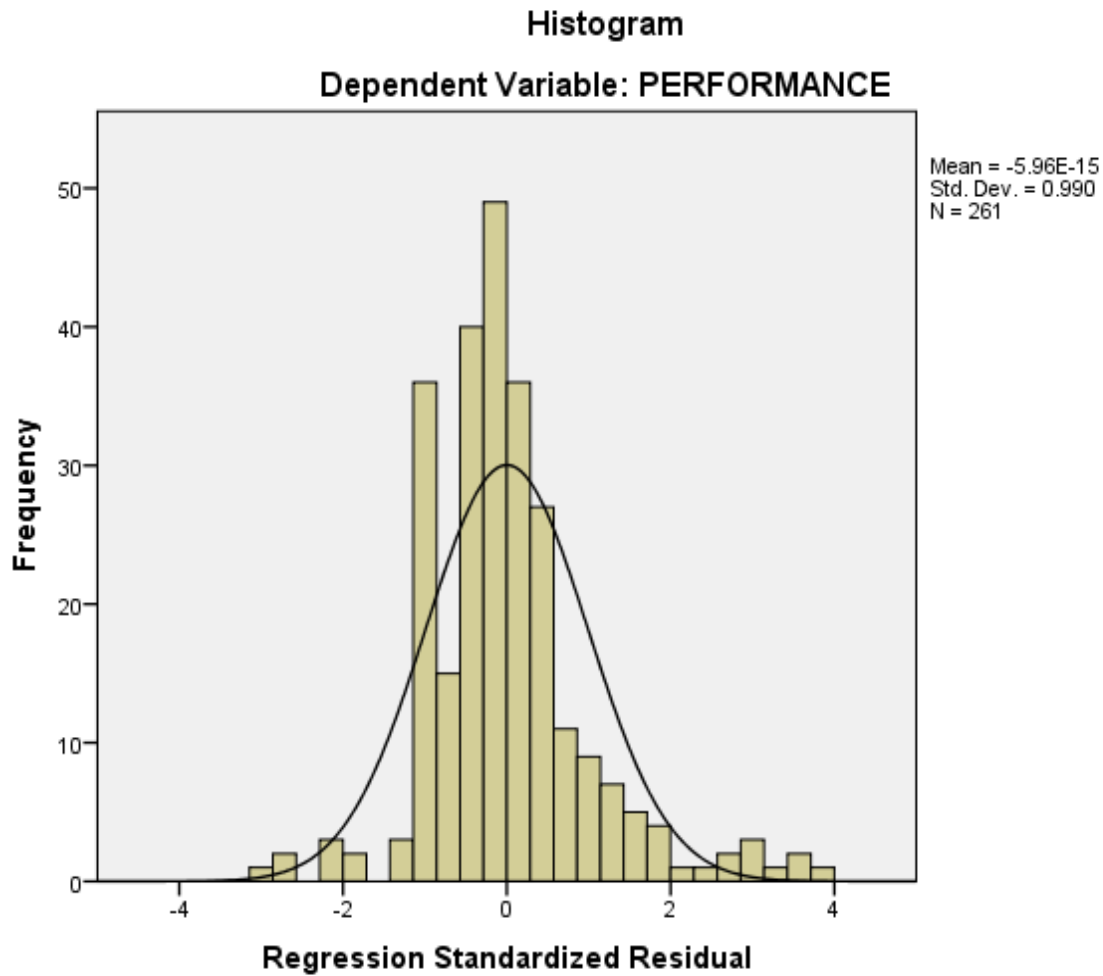
X_5 = business information, ε = error term

And the β_0 is the intercept that indicates the average value of the dependent variable when the explanatory or independent variables considered constants. And each β_s represents the coefficients of the independent variables by which the dependent variables varies in average whenever the respective independent variables increased by one unit (Perry, 2004).

Nevertheless, before directly embarking up on multiple linear regression analysis, it is very Compulsory to check the Normality of the Dependent variable and Multi-Collinearity Problems among the five independent variable.

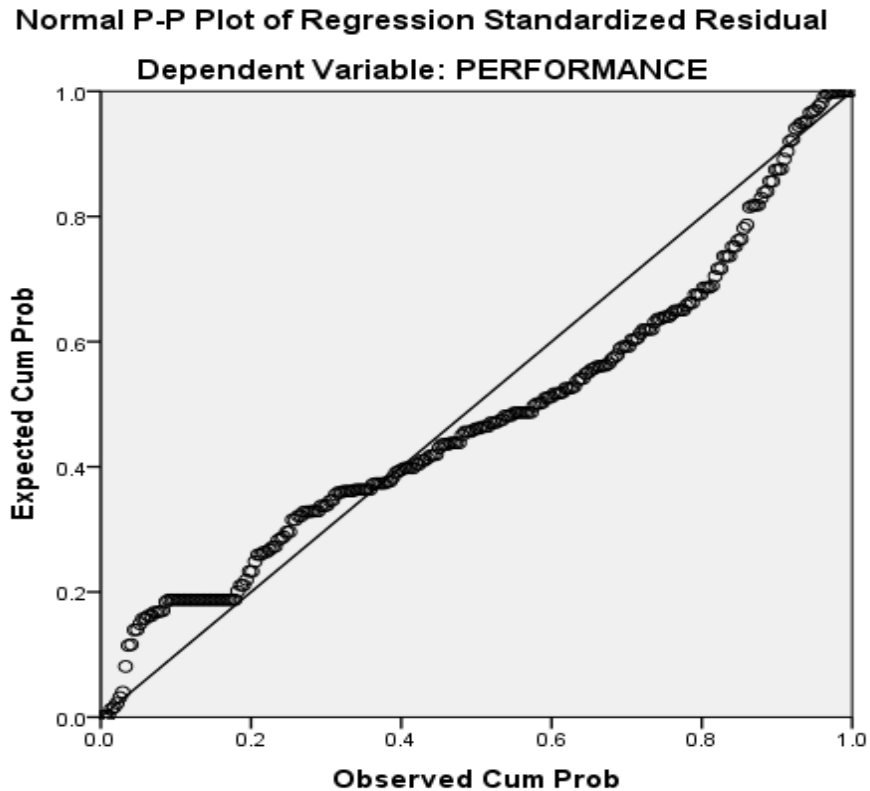
Charts

Figure4. 2 Histogram of regression standardize residuals



Source: Survey result output (2024).

Figure 4.3 Normal P-P plot of Regression standardized residuals.



Source: Field survey (2024)

Figures (4.2) and (4.3) show the normal probability plot and histogram of the residuals. The plot indicates that the points fall very close to the normal line, and the histogram indicates the standardized residuals are bell-shaped. This implies the residuals are normally distributed.

4.6.1 Collinearity Test

We use Variance Inflation Factor (VIF) to check the multicollinearity among the independent variables. Tolerance of greater than .1 and VIF less than 10 are good enough to minimize Collinearity problems (Miller and Whicker, 2016). Thus the result implies that the regression model is not too much affected by higher correlation between two independent variables.

Multi-collinearity indicates that two variables may be measuring the same thing, rather than being related. One solution may be to eliminate one of the variables; another solution is to combine them. As a general rule of thumb, predictor variables can be correlated with each other as much as 0.8 before there is cause for concern about Multicollinearity. This can be checked through VIF value; in principle VIF value of each independent variable should be less than 5 % in order to avoid Multicollinearity among the independent Variables (Gliner & Morgan,

2000). Or tolerance of less than 0.20 or 0.10 and or a VIF of 5 or 10 and above indicates Multicollinearity. A tolerance close to 1 means there is little Multicollinearity, whereas a value close to 0 suggests that Multicollinearity may be a threat. Hence, in case of the current study, the Multicollinearity diagnosis done as follows.

4.6.2 Assumptions of Multiple Regression Model

Table4. 13. Collinearity statistics test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant) 1		
Financial	.397	2.517
Infrastructure	.226	4.420
Marketing	.320	3.126
Legal and Regulatory	.255	3.927
Business Information	.335	2.981

a. Dependent Variable: business Performance of MSEs

Source: SPSS V2023 data analysis of Survey result, (2024).

4.6.3 ANOVA

Table 4.14 shows that there is a statistically significant effect between the

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	70.972	5	14.5	299.876	.000 ^b
1 Residual	12.070	252605	.047		
Total	83.042				

Source: Survey result output, (2024).

a. Dependent Variable: Business Performance of MSEs

b. Predictors: (Constant), Financial, Infrastructure, Marketing, Legal and regulatory, business information and dependent variable (Business Performance of MSEs). It is evident that the strength of the relationships varies. Thus emphasizing the fact that the dimensions vary in the degree to which they

perform their activities well, the value of F statistics 299.876 at 5 and 260 degrees of freedom is statistically significant at 95% confidence level.

4.6.4 Model Summary

Table4. 15 .Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925 ^a	.855	.852	.21756

Source: Survey result output, (2024).

a. Predictors: (Constant), Financial, Infrastructure, Marketing, Legal and regulatory, business information

b. Dependent Variable: business Performance of MSEs

Table 4.15 above shows the estimate of multiple regression of performance against its variables for the sample of 261 operators. The question which states that factors affect that performance of micro and small enterprises in five sectors in the woreda is tested at 5% level of significance, it was discovered that the performance of micro and small enterprises was determined by the above factors. Table 4.15 above explained that, the correlation between the observed value of performance and the optimal linear combination of the independent variables financial factor, infrastructure, marketing skill, legal and regulatory is 0.925, as indicated by multiple R. Besides, given the R Square value of 0.855, it may be realized that 85.5 % of the variation in performance can be explained by the independent variables. The remaining 14.5% of the variance is explained by other variables not included in this study.

Table4.16. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.321	.079		6.048	.000
FINANCIAL (x1)	.423	.034	.473	7.46	.000
INFRASTRUCTURE(x2)	.011	.030	.010	.362	.000
MARKETINGSKIL (x3)	.046	.034	.062	1.345	.000
LEGAL (x4)	.197	.035	.255	5.698	.000
BINFORMATION (x5)	.181	.024	.257	7.671	.000

Source: Survey result output, (2024)

a. Dependent Variable: business Performance of MSEs

Based on the above table using (standardized Beta) coefficients, the regression of the research illustrated below: If financial factor is increase by one standard deviation, the business performance will increase by .473 standard deviation unit. Similarly, if infrastructure is increase by one standard deviation, the business performance will increase by .010 standard deviation unit.

Also if marketing skill is increase by one standard deviation, the business performance will increase by .062 standard deviation unit. In the same way, if legal and regulatory is increase by one standard deviation, the business performance will increase by .255 standard deviation unit

If business information is increase by one standard deviation, the business performance will increase by .257 standard deviation unit.

The unstandardized coefficient B column, gives us the coefficient of the independent variables in the regression equation including all the predictor variables as indicated below.

Predicted performance score = .321 + .423(Financial factor) + .011(Infrastructure) + .046 (Marketing skill) + .197 (Legal and regulatory) + .181(business information).

As it is depicted from table 4.16, the beta weight is the average amount the dependent variable increase when the independent variable increases by one standard deviation (all other independent variables are held constant), if financial factor is increased by one percent the performance of MSEs will increase by 47.3 percent; in the same way if infrastructure factor increased by one percent, the performance of MSEs will increase by 1 percent. If marketing skill factor is increased by one percent the performance of MSEs will increase by 6.2 percent.

As the legal and regulatory factor is increased by one percent the performance of MSEs will increase by 25.5 percent. Finally as the business information factor is increased by one percent the performance of MSEs is increase by 25.7 percent.

According to (Hair, 2000) the test will be significant if the p-value is less than 0.05. The beta coefficient is used to determine which independent variables have the most influence on the dependent variable. Variable with large Beta Coefficient indicates the highest contribution of the independent variable to the variability of the Dependent variable.

The beta coefficient is used to determine which independent variables have the most influence on the dependent variable. Further, in order to determine the relative importance of the five independent variables, they were subjected to regression analysis. The beta (β) coefficients provided the relative importance. The variable with the largest coefficient represents the most

Important variable in terms of its influence on entrepreneurial Business Performance. The next largest coefficients represent the second most influential and so forth.

The results of Table 4.16 can be summarized as regression equation given below.

$$Y = .321 + .423 X_1 + .011 X_2 + .046 X_3 + .197 X_4 + .181 X_5$$

Predicted performance score = .321 + .423 (financial) + .011(infrastructure) + .046 (marketing skill) + .197(legal and regulatory) + .181(business information).

Ha1: Financial has significant effect on rural youth's Entrepreneurial business performance in wonsho woreda.

Ha2: Infrastructure factor has significant effect on rural youth's entrepreneurial business performance in wonsho woreda.

Ha3: Access of Marketing Skill has significant effect on rural youth's entrepreneurial business performance in wonsho woreda.

Ha4: Legal and regulatory environment has significant effect on entrepreneurial business performance on MSEs in Wonsho woreda.

Ha5: Access to business information has significant effect on performance of rural youth's entrepreneurial business performance in wonsho woreda.

4.7 Hypotheses Testing

Hypothesis testing is the method of testing whether claims or hypotheses regarding a population are likely to be true. The goal of hypothesis testing is to determine the likelihood that a population parameter, such as the mean, is likely to be true. Here there are two hypotheses: null (H_0), and alternative (H_a). The null hypothesis (H_0), stated as the null, is a statement about a population parameter, such as the population mean, that is assumed to be true. The null hypothesis is a starting point. The researcher tests whether the value stated in the null hypothesis is likely to be true. The only reason of testing the null hypothesis is because the researcher thinks that it is wrong. An alternative hypothesis (H_a) is a statement that directly contradicts a null hypothesis by stating that the actual value of a population parameter is less than, greater than, or not equal to the value stated in the null hypothesis.

The significance (sig.) value expresses a value to accept or reject the alternative hypotheses. It is also called the p-value. The p-value is the probability that the correlation is one just by chance.

In this section, proof of the alternative hypothesis is made based on Table 4.12 above for the variables Financial factor, Infrastructure factor, Marketing skill factor, Legal and regulatory factory, Business information to accept. Because, to test the research hypotheses already set in chapter one, it is possible to find out if the independent variables are significant predictors of the dependent variables. For these test of relationships and in that way our hypotheses, the regression analysis was applied for this thesis.

Hypothesis 1

Ha1: Financial has significant effect on rural youth's Entrepreneurial business performance in wonsho woreda

Accept the alternative hypothesis as it is indicated in table 4.12, the p value is less than 0.05 (at $p = .000$), the value is highly significant. Thus, we accept the alternative hypothesis (H_{a1}) that says financial factor has significance effect on business performance of MSEs. P-value is 0.00 which is absolutely less the cut-off point 0.05. Hence, the alternative hypothesis is accepted. This implies that the financial factor has a statistically significant effect on entrepreneurial business performance. So,

the regression has shown a positive relationship between financial factors and business performance of MSEs.

Hypothesis 2

Ha2 Infrastructure factor has significant effect on rural youth's entrepreneurial business performance in wonsho woreda.

Accept the alternative hypothesis. As it is indicated in table 4.12, the p value is less than 0.05 (at $p = .000$), the value is highly significant. Thus, we accept the alternative hypothesis (Ha2) that says infrastructure has significance effect on business performance of MSEs.

P-value is 0.00 which is absolutely less the cut-off point 0.05. Hence, the alternative hypothesis is accepted this implies that the Infrastructure has a statistically significant effect on entrepreneurial business performance of MSEs. So, the regression has shown a positive relationship between infrastructure and business performance of MSEs.

Hypothesis 3

Ha3: Access of Marketing Skill has significant effect on rural youth's entrepreneurial business performance in wonsho woreda

Accepted the alternative hypothesis if p- value is < 0.05 . As it is indicated in table 4.12, above the p value is less than 0.05 (at $p = .000$), the value is highly significant. Thus, we accept the alternative hypothesis (Ha3) that says Access of Marketing Skill has significance effect on business performance of MSEs. So, the regression has shown a positive relationship between Marketing Skill and business performance of MSEs.

P-value is 0.00 which is absolutely less the cut-off point 0.05. Hence, the alternative hypothesis is accepted.

This implies that ha Access of Marketing Skill has significant effect on rural youth's entrepreneurial business performance on MSEs in the study area.

Hypothesis 4

Ha4: Legal and regulatory environment has significant effect on entrepreneurial business performance on MSEs in Wonsho woreda.

Accepted the alternative hypothesis if p- value is < 0.05 . As it is indicated in table 4.12, the p value is less than 0.05 (at $p = .000$), the value is highly significant. Thus, we accept the alternative hypothesis (Ha4) that says Legal and regulatory environment has significance effect on business performance of MSEs. So, the regression has shown a positive relationship between legal and regulatory and business performance of MSEs.

P-value is 0.00 which is absolutely less the cut-off point 0.05. Hence, the alternative hypothesis is accepted. This implies that Legal and regulatory environment significant effect on rural youth's entrepreneurial business performance on MSEs in the study area.

Hypothesis 5

Ha5: Access to business information has significant effect on performance of rural youth's entrepreneurial business performance in wonsho woreda

Accepted the alternative hypothesis if p- value is < 0.05 . As it is indicated in table 4.12, the p value is less than 0.05 (at $p = .000$), the value is highly significant. Thus, we accepted the alternative hypothesis (Ha5) that says Access to business information has significance effect on business performance.

P-value is 0.00 is greater than the cut-off point 0.05. Hence, the alternative hypothesis is accepted.

This implies that Access to business information has a statistically significant effect on rural youth's entrepreneurial business performance on MSEs in the study area. So, the regression has shown a positive relationship between business information and business performance of MSEs.

The research is being done at 95% confidence interval. Hence, alternative hypothesis should be accepted with reference to 5% level of significance; i.e. the hypothesis must be accepted if P- value is less than 0.05 other

4.7.1 Summary of Hypothesis Testing

Table 4. 17. Summary of hypothesis testing

No	Variable	Tool	Result
Ha1	Financial has significant effect on rural youth's Entrepreneurial business performance in study area	Regression	Accepted
Ha2	Infrastructure factor has significant effect on rural youth's entrepreneurial business performance in study area	Regression	Accepted
Ha3	: Access of Marketing Skill has significant effect on rural youth's entrepreneurial business performance in study area	Regression	Accepted
H4	Legal and regulatory environment has significant effect on entrepreneurial business performance on MSEs in study area	Regression	Accepted
Ha5	Access to business information has significant effect on performance of rural youth's entrepreneurial business performance in study area	Regression	Accepted

Source: Field survey (2024).

4.9 Results of Focus Group Discussion

The researcher approached owners of MSEs in Wonsho woreda. The researcher obtains common responses on the most issues that affect the performance of MSEs in the study area. The following Illustration is drawn from the respondent's rationalization.

There are lots of challenges mentioned by the focus group discussion that are surrounding MSE in the study area. The pressing challenges of MSEs are listed below.

According to the focus group discussion effect of financial factor is the major challenges that MSEs are currently facing effect of financial factor has wide range of implication on the performance of MSE in the study area. These can done by easing the entry and provide start-up capital with credit from MFI. In utilizing the credit giving priority to youths should always get attention. Since these deprived groups will never be engaged in the business in order to get out of poverty unless they are getting precedence

in credit utilization and create an adequate environment to increase the existence and availability of credit institutions, that the institutions must ease or simplify their procedure and lending criteria.

During the focus group discussion, as the major challenge inadequate infrastructure and lack of infrastructure that can be applicable was argued as a major challenge. Electric power is key for almost all business enterprises. The other most important challenge MSEs facing are lack and/or inadequate marketing skill and strategy, efficiency and effective marketing skill. According to focus group discussion, unless this problem is addressed by the relevant stakeholders, contraction of micro and small enterprises in the study area is certain.

The other most important challenge MSEs facing are quitting the business according to group discussion. Legal and regulatory environment is influence the business performance of the MSEs.. Moreover, legal and regulatory to business area also affects the business environment because to Meany kinds legal and regulatory process affect MSEs performance in the study area.

During the focus group discussion, the respondents said that business information is not that Mach important for their MSEs development. According to their responses they prefer business information very important expand and growth our business, which means the business information factor relevant our business information. According to group discussion, respondents said that lack of business information affects their performance. Because mostly they important prefer business information. According to group discussion, business information has its own According to group discussion, respondents said that MSEs performance affected by numerous

Factors. According to discussion performance was affected by lack of financial factor, infrastructure factor, marketing skill factor, legal and regulatory factor and business information

Finally, questions related to factors might affect performance of business and entrepreneurial conditions are forwarded to operators of MSEs whenever they encountered above. They respectively responded the mentioned problems. Factor of financial and above factors. Which may greatly affect the performance of MSEs.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

In this chapter, finding of the research was summarized by answering the research objectives and research questions. Moreover based on the research findings relevant recommendations have been given.

The objectives of this research were to identify factors affecting rural youth's entrepreneurial business performance in micro and small enterprises development, to identify what factors are affecting performance of MSEs and the transformation capacity of these enterprises to micro and small enterprises. To achieve these specific objectives of the research, primary data were collected from 261 respondents.. The demographic information about the respondent is out of 269 questionnaires distributed to respondents, 261 questionnaires were collected and the From out of 261 respondents' 75.5percent were male while the remaining 24.5 percent of the respondents were female. About 8.0percent of the respondents are in the age interval of 18 to 25 where as 70.5 percent of the respondents are in the age interval of 26 – 35 and 14.9 percent of the respondents are in the age interval of 36 to 45 years and above 46 years 6.5 percent

Also 37.5 percent of the respondents have worked 1to 4 years where as 57.5 percent of the respondents have work experience between 5to 8 years while the remaining. 3.8 percent the respondents have work experience between 9 to 12 years and above 12 years 1.1 percent.

The educational qualification of respondents are blow school 1 to 8 8.percent of the respondents were High school where as 19.2 percent were certificate and Diploma holders 62.8 percent of the respondent were BA degree holders. The remaining10.0percent of the respondents

Respondents were selected from 164 MSEs. Four focus group discussions were undertaken and interviewed. To substantiate and draw conceptual framework of the research different literature were retrieved as secondary source.

Out of the proposed 5 hypotheses on factors affecting entrepreneurial business performance of MSE, five of them known to have positive relationship with entrepreneurial business performance of MSE. Which means all factors were statistically significant at different significance level.

These are financial factor, infrastructure factor marketing skill factor, legal and regulatory factor and business information factor.

According to the finding from descriptive statics of variables in the study, as shown above, the ranking of factors is used to determine the extent of contribution of variables for the startup and expansion or performance of MSEs in Wonsho woreda central zone. Based on the result grand mean comparisons, financial factors (2.21) were the major determinant factors that affects the performance of micro and small enterprises followed by infrastructure factor (2.35), marketing factors (2.23), legal and regulatory factors (2.42) and business information Factors (2.05).

As it is clearly indicated in inferential correlation section, the first strong relationship was found between financial factors and business performance ($r = 0.867$, $p < 0.05$), the second strong correlation exist between legal and regulatory Factors and business performance ($r = 0.790$, $p < 0.05$), which are statistically significant at 95% confidence level. This implies that at 5 % level determining factor of business performance of MSEs in study area.

Moreover, the result on correlation table further indicates that, financial factor has third strong correlation and infrastructure factors and business performance ($r=0.769$, $p<0.05$) the fourth positive correlation business information and business performance($r=0.755$, $p<0.05$) fifth marketing skill of business performance ($r= 0.729$, $p<0.05$) There is a substantial positive correlation between Factors and business performance ($r = 0.768$, $p < 0.05$), and financial Factors and performance of MSEs ($r = 0.867$, $p < 0.05$), which are statistically significant at 95% confidence level. All Variable of positive correlated with business performance of MSEs.

The correlation between the observed value of performance and the optimal linear combination of the independent variables (financial factor, infrastructure factor, marketing skill factor, legal and regulatory factor and business information factors) is 0.925, as indicated by multiple R. Besides, given the R Square value of 0.855, it may be realized that 85.5 % of the variation in performance can be explained by the independent variables. The remaining 14.5% of the variance is explained by other variables not included in this study.

The unstandardized coefficient B column, gives us the coefficient of the independent variables in the regression equation including all the predictor variables as indicated below.

Predicted performance score = .321 + .423(Financial factor) + .011(Infrastructure) +.046 (Marketing skill) + .197 (Legal and regulatory) + .181(business information).

As it is depicted that beta weight is the average amount the dependent variable increase when the independent variable increases by one standard deviation (all other independent variables are held constant), if financial factor is increased by one percent the performance of MSEs will increase by 47.3percent; in the same way if infrastructure factor increased by one percent, the performance of MSEs will increase by 1 percent. If marketing skill is increased by percent the performance of MSEs will increase by 6.2 percent. As the legal and regulatory is increased by one percent the performance of MSEs will increase by 25.5 percent. Finally, as the business information is increase by one percent the performance of MSEs is increase by 25.7percent.

According to the focus group discussion, financial factor, infrastructure factor, marketing skill factor, legal and regulatory factor and business information as most important factors that impede the Entrepreneurial business performance of MSEs in the study area.

The possible reason for this problem to happen comes from lack of financial factors The other factors are resulted from inadequate support for MSE to infrastructure factors, lack of adequate road access, transportation, technology, water, electricity, and other infrastructure effect of business performance of MSEs these factor also have a critical and integrate effect on the entrepreneur business performance of MSEs.

5.2. Conclusion

The general objective of this study is to assess the overall entrepreneurial business performance of rural youth's on Micro and Small Enterprise in wonsho woreda. During the investigation the researcher used both descriptive analysis and inferential statistics and based on the findings of the research project the researcher made conclusions by outlining following points regarding correlation analysis, the result of the finding shows positive significant relationship between independent variable (business performance of MSEs).

Financial factors, infrastructure factor, marketing skill factor, legal and regulatory factory and business information factors the business performance of MSEs.

Furthermore, the multiple linear regression analysis (The R square) implies that about eighty five point five percent variance of business performance is attributed to financial factors, infrastructure factor, marketing skill factor, legal and regulatory factory and business information factors.

Therefore the researcher can convincingly conclude that the independent variable. Factor affecting Entrepreneurial business has a positive significant influence on the dependent variable in all aspect positive relationship with business performance. As far as the relative effects of an individual component of factors affecting Entrepreneurial business performance of MSEs is concerned the result of multiple linear regression coefficient shows that mostly factor of financial factor has the highest beta value which indicates the most dominant effect in determining the variation of business performance followed by marketing skill.

The overall business performance of MSE in the study. The financial factors insufficiency of credit institutions, high collateral requirement from banks and other lending institution high interest rate charged by banks and other lending institution. And infrastructure factors frequent electric power interruption, insufficient and interrupted water supply system and quick transportation service were also the challenges of MSEs that had an adverse influence on their business performance. Marketing factors inadequate marketing access for my product /service, lack of marketing strategy ,lack of marketing information demand and forecasting, and poor customer relationship and handling were the challenge that hand strong adverse effect on business performance of MSEs

Finally, the regression model was evaluated for its validity and usefulness to predict the business performance based on the residual plot techniques and the model was found consistent with the multiple linear regression assumptions and found valid and useful to predict the business performance and eighty five point five of the variation was explained by the model in order to promote these enterprises in a profitable track and prevent the fiasco on MSEs, the major stakeholder (Government) needs to work on collaboration to improve the poor performance of MSEs in the study area.

5.3 Recommendation

The recommendations given by the researcher to boost the entrepreneurial business performance of micro and small enterprises are as follows.

- The study revealed that financial factor were mostly affecting factor that the business performance MSEs operating in wonsho woreda. Therefore, should create an adequate environment increase the existence and availability of credit institutions, that the institutions must ease or simplify their procedure and lending criteria. These can done by easing the entry and provide start-up capital with credit from MFI. In utilizing the credit giving priority to youths should always get attention. The monetary policy of the country must assess and evaluated well so that, it will not hinder the performance of micro and small enterprises business performance. The collateral requirement of lending institutions must be reconsidered to facilitate the growth of the micro and small enterprises of the woreda and the country.
- The study reveals that infrastructural factors were the mostly influential factor that affects the business performance of SMEs in wonsho woreda. The provision of electric power must be well improved. Electric power is a key for almost all business enterprises. The government of the woreda must strengthen to eliminate the electric power supply problems and challenges. The water supply quality and quantity must be improved and to create good transportation access for the enterprise product the woreda government constructed roads to avoid transportation service obstacles for business success.
- Marketing factors were revealed as one of the mostly influential factor for business performance of MSEs. Entrepreneurs must assess the potential markets available for their product/service in domestic / abroad. Government must support the MSEs in finding/ assessing new markets especially in abroad. The entrepreneurs must developed adequate and appropriate marketing strategy suitable for their product/ service. They must forecast demand based on the adequate information. They must analyze the existing and potential foreign and domestic competition, and device a strategy and tactics to increase their market share. They must improve their customer relationship and handling.

- Legal and regulatory barriers that impede MSEs growth and serves as a topic of relevance for entrepreneurs, policymakers and scholars in this generation of entrepreneurship and innovation, should be dealt by regarding bodies to in order to create conducive condition for the sector.
- General investigation different based on the right information is vital for the business performance of MSEs operation. Therefore the researcher recommends that wonsho woreda MSEs office stakeholders should give attention to the MSEs entrepreneurs, and especially the government should work hard in the areas of accurate access of business information to micro and small enterprise business sector

5.4. Implication for future studies

The findings of this study have raised theoretical and methodological questions that need further investigation. To this end, the following areas for further researcher are suggested. Since the study focuses on assessing factors affecting rural youth's entrepreneurial business performance. The study covered a single Woreda that is wonsho woreda in sidama center zone. There is a need of similar studies to be conducted for the other Woredas in the zone elsewhere in Ethiopia. In addition the study focused on business performance of MSEs.

Further will serve as research on the potentiality of rural youth's entrepreneurial business performance on poverty reduction and study on effectiveness of MSEs

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Appendix A QUESTIONNAIR

HAWASSA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF MANAGEMENT MBA STUDIES PROGRAM

Section 1: Introduction

Dear respondents,

I am a graduate student in the department of Marketing Management, Hawassa University College of Business and Economics. Currently, I am undertaking a research entitled “*Factors Affecting Rural Youths Entrepreneurial Business Performance A case of micro and small enterprises in wonsho woreda*”. You are one of the respondents selected to participate in the study. Please assist me in giving correct and complete information to present a representative finding on the current status of the *Factors Affecting Rural Youths Entrepreneurial Business Performance. A case of micro and small enterprises in wonsho woreda*. Your participation in entirely voluntary and the questionnaire is completely anonymous.

Finally, I conform you that the information that you provide me will be kept confidential and only used for the academic purpose. No individual respondents will be identified as such and the identity of persons responding will.

Sincerely, **ANDINET ASFAW**

Instructions

- ❖ No need of writing your name
- ❖ For Likert scale type statements and multiple choice questions indicate your answers with a check mark (√) in the appropriate block.

Part II: Socio Demographic Information of Respondents

1. Gender: 1, Male 2, Female

2. Age: 1, 18- 25 2, 26-35 3, 36-45 4, 46 Above

3. Level of Education: 1, have no formal education 2, 1-8 3, grade 8-12

4, Certificate

5. Diploma 5, Bachelor's Degree and above

4 Year of experience in the enterprise

4.1 1-4 years 4.2 5-8 years 4.3 9-12years 4.4 above 13

5. Types of business

5.1 manufacturing 5.2 service providing

5.3 agriculture 5.4 Trade employment

Part III: Factors affecting the entrepreneurial business performance MSEs

The major factors that affect the business performance of MSEs are listed below .please indicate the degree to which these factors are affecting the performance of your business enterprises. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (✓) under the choices below. Where, 1 = strongly disagree, 2 = Disagree, 3= Neutral, 4 = Agree, 5 = Strongly Agree

Section 2: Table 1-5 Indicate question in relation to the factors affecting the business performance of MSEs

2, financial factors

	Terms	Agreement scale				
		Strongly disagree	disagree	neutral	Agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
1	Credit institutions are insufficient to access loans easily.	1	2	3	4	5
2	There are governmental funds to support MSEs businesses.	1	2	3	4	5
3	The interest rate charged by banks and other lending institutions is unreasonably high	1	2	3	4	5
4	There are non-governmental organizations (NGOs) funds to support my business	1	2	3	4	5
5	Access to finance is a major challenge that affects the growth of my business	1	2	3	4	5

2, Infrastructure factors

	Terms	Agreement scale				
		Strongly disagree	disagree	neutral	Agree	Strongly Agree
		(1)	(2)	(3)	(4)	(5)
1	There are frequent electric power interruptions.	1	2	3	4	5
2	The water supply system is insufficient and with frequent interruption	1	2	3	4	5
3	There is adequate road access in my business area	1	2	3	4	5
4	The transportation service is insufficient and not quick.	1	2	3	4	5
5	I have got technology support from a micro and small institute	1	2	3	4	5

3, Marketing skill Factors

		Agreement scale				
	Items	Strongly disagree	Strongly disagree	neutral	Agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
1	Access to business information affects the performance of my business	1	2	3	4	5
2	We have inadequate market access for my product/service	1	2	3	4	5
3	We have problems of formulating marketing strategy.	1	2	3	4	5
4	Business information is readily available in this market.	1	2	3	4	5
5	Lack of establishing a market network.	1	2	3	4	5

4, Legal and Regulatory Factors

		Agreement scale				
S. No.	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
1	The tax levied on micro and small enterprises is not reasonable.	1	2	3	4	5
2	Bureaucracy in micro and small enterprises registration and licensing.	1	2	3	4	5
3	Lack of government supportMSEs.	1	2	3	4	5
4	Political intervention and instability in MSEs	1	2	3	4	5
5	Lack of accessible information on government regulations that are relevant to our MSEs.	1	2	3	4	5

5, Business information factors

	Items	Agreement scale				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
1	Business information is readily available	1	2	3	4	5
2	The information available is relevant for our business	1	2	3	4	5
3	The information available informs us of the changes in the business environment	1	2	3	4	5
4	The information available inform us of the business registration requirements	1	2	3	4	5
5	The information necessary for our business growth is availed on time	1	2	3	4	5

Section 3: Entrepreneurial Business Performance

	Items	Agreement scale				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		(1)	(2)	(3)	(4)	(5)
1	My business has the potential to grow/expand	1	2	3	4	5
2	The growth of our business profit is not satisfactory.	1	2	3	4	5
3	The our business profitable	1	2	3	4	5
4	Our business profit increased from time to time	1	2	3	4	5
5	Ensure the reliability and integrity of financial information.	1	2	3	4	5

Section 4: Interview Questions with Micro and Small Enterprises Operators

- 1 To what extent business information related factors affect performance of your MSEs?
- 2 What are the major factors that affect business performance in MSEs?
- 3 To what extent infrastructure related factors affect performance of your business
- 4 What possible measures do you take to solve the stated problems?
- 5 To what extent financial related factors affect performance of your Business?

Appendix B
ቃለመጠይቅ -ቢ(B)

የአማርኛ እትም

ሀዋሳ ዩኒቨርሲቲ የቢዝነስና ኢኮኖሚክስ ኮሌጅ የማኔጅመንትና ት/ቤት የቢዝነስ አስተዳደር ድህረ ምረቃ ፕሮግራም

ክፍል 1፡ መግቢያ

ውድ ምላሽ ሰጪዎች፡

በሀዋሳ ዩኒቨርሲቲ የቢዝነስ እና ኢኮኖሚክስ ኮሌጅ የማርኬቲንግ ማኔጅመንት ትምህርት ክፍል ተመራቂ ተማሪ ነኝ። በአሁኑ ወቅት **የገጠር ወጣቶችን ሥራ ፈጣሪ የንግድ ሥራ አፈጻጸም የሚመለከቱ ጉዳዮች በወንሽ ወረዳ የጥቃቅንና አነስተኛ ኢንተርፕራይዞች ጉዳይ በሚል ርዕስ ጥናት እያካሄድኩ ነው**። በጥናቱ ላይ ለመሳተፍ ከተመረጡት ምላሽ ሰጪዎች አንዱ ነዎት። እባክዎን **የገጠር ወጣቶችን ሥራ ፈጣሪ የንግድ ሥራ አፈጻጸምን የሚመለከቱ ጉዳዮችን** ወቅታዊ ሁኔታን በተመለከተ የውክልና ግኝት ለማቅረብ ትክክለኛ እና የተሟላ መረጃ እንድሰጡ እርዳኝ። **በወንሽ ወረዳ የጥቃቅንና አነስተኛ ኢንተርፕራይዞች ጉዳይ**። የእርስዎ ተሳትፎ ሙሉ በሙሉ በፈቃደኝነት እና መጠይቁ ሙሉ በሙሉ የማይታወቅ ነው።

በመጨረሻም፣ የምታቀርቡልኝ መረጃ በሚስጥር እንዲጠበቅ እና ለአካዳሚክ ዓላማ ብቻ እንደሚውል አረጋግጣለሁ። ማንም ግለሰብ ምላሽ ሰጪዎች እንደዚህ አይታወቁም እና ምላሽ ሰጪዎች ማንነት አይታወቅም።

ከሠላምታ ጋር ANDINET ASFAW

መመሪያዎች

ስምህን መጻፍ አያስፈልግም

❖ ለLikert ሚዛን አይነት መግለጫዎች እና ብዙ ምርጫ ጥያቄዎች መልሶችዎን በቼክ ምልክት (✓)

በተገቢው ብሎክ ያመለክታሉ።

ክፍል II: የሶሻሎ ስነ-ሕዝብ ምላሽ ሰጪዎች መረጃ

1. ጾታ : 1, ወንድ 2, ሴት

2. ዕድሜ : 1፣ 18- 25 2፣ 26-35 3፣ 36-45 4፣ ከ46 በላይ

3. የትምህርት ደረጃ : 1፣ መደበኛ ትምህርት የሌላቸው 2፣ 1-8 3፣ 8-12 ክፍል

4, የምስክር ወረቀት 5, ዲፕሎማ 6, የመጀመሪያ ዲግሪ እና ከዚያ

በድርጅቱ ውስጥ የ 4 ዓመት ልምድ

4.1 1-4 አመት 4.2 5-8 አመት 4.3 9-12 አመት 4.4 ከ13 በላይ

5. የንግድ ዓይነቶች

5.1 ማምረት 5.2 አገልግሎት መስጠት

5.3 ግብርና 5.4 የንግድ ሥራ

ክፍል III: የኢንተርፕረንሪሺፕ የንግድ ሥራ አፈጻጸም MSEs ላይ ተጽእኖ የሚያሳድሩ ምክንያቶች

የ MSE ዎች የንግድ ሥራ አፈጻጸም ላይ ተጽእኖ የሚያሳድሩ ዋና ዋና ነገሮች ከዚህ በታች ተዘርዝረዋል። እባክዎ እነዚህ ምክንያቶች የንግድ ድርጅቶችዎን አፈጻጸም የሚነኩበትን ደረጃ ያመልክቱ። እያንዳንዱን ምክንያቶች ከነበሩ በኋላ ከንግድዎ ጋር በተያያዘ ይገምግሙ እና ከዚያ ከታች በሉት ምርጫዎች ስር ምልክት ያድርጉ (✓)።
የት፡ 1 = በጣም አልሰማማም ፣ 2 = አልሰማማም ፣ 3 = ገለልተኛ ፣ 4 = እስማማለሁ ፣ 5 = በጣም እስማማለሁ

ክፍል 2 : ሠንጠረዥ 1-5 በ MSEs የንግድ ሥራ አፈጻጸም ላይ ተጽዕኖ ከሚያሳድሩ ምክንያቶች ጋር በተገናኘ ጥያቄን ያመልክቱ።

2, የፋይናንስ ሁኔታዎች

		የስምምነት መለኪያ				
		በጣም አልስማማም።	አልስማማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
		(1)	(2)	(3)	(4)	(5)
1	የብድር ተቋማት በቀላሉ ብድር ለማግኘት በቂ አይደሉም።	1	2	3	4	5
2	MSEs ንግዶችን ለመደገፍ መንግሥታዊ ገንዘቦች አሉ።	1	2	3	4	5
3	በባንኮች እና በሌሎች አበዳሪ ተቋማት የሚከፈለው የወለድ መጠን ያለምክንያት ከፍተኛ ነው።	1	2	3	4	5
4	ንግዴን ለመደገፍ መንግሥታዊ ያልሆኑ ድርጅቶች (መንግስታዊ ያልሆኑ ድርጅቶች) ገንዘቦች አሉ።	1	2	3	4	5
5	የፋይናንስ አቅርቦት የኔን ንግድ እድገት የሚጎዳ ትልቅ ፈተና ነው።	1	2	3	4	5

2, የመሠረተ ልማት ምክንያቶች

		የስምምነት መለኪያ				
	ውሎች	በጣም አልስማማም::	አልስማማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
		(1)	(2)	(3)	(4)	(5)
1	በተደጋጋሚ የኤሌክትሪክ ኃይል መቆራረጦች አሉ.	1	2	3	4	5
2	የውኃ አቅርቦት ስርዓት በቂ ያልሆነ እና በተደጋጋሚ መቋረጥ	1	2	3	4	5
3	በንግድ አካባቢዬ በቂ የመንገድ መዳረሻ አለ::	1	2	3	4	5
4	የትራንስፖርት አገልግሎት በቂ ያልሆነ እና ፈጣን አይደለም.	1	2	3	4	5
5	ከጥቃቅንና አገልግሎት ተቋም የቴክኖሎጂ ድጋፍ አግኝቻለሁ	1	2	3	4	5

3, የግብይት ክህሎት ምክንያቶች

		የስምምነት መለኪያ				
	እቃዎች	በጣም አልስማማም::	በጣም አልስማማም::	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
		(1)	(2)	(3)	(4)	(5)
1	የንግድ መረጃ ማግኘት የእኔን ንግድ ሥራ አፈጻጸም ይነካል::	1	2	3	4	5
2	ለምርጫ/አገልግሎት በቂ የገበያ መዳረሻ አለን::	1	2	3	4	5
3	የግብይት ስትራቴጂ የመቅረጽ ችግሮች አሉብን::	1	2	3	4	5
4	የንግድ መረጃ በዚህ ገበያ ላይ በቀላሉ ይገኛል::	1	2	3	4	5
5	የገበያ አውታረመረብ መመስረት እጥረት.	1	2	3	4	5

4, የህግ እና የቁጥጥር ምክንያቶች

		የስምምነት መለኪያ				
		በጣም አልስማማም::	አልስማማም::	ገለልተኛ	እስማማ ለሁ	በጣም እስማማ ለሁ
		(1)	(2)	(3)	(4)	(5)
1	በጥቃቅንና አነስተኛ ኢንተርፕራይዞች ላይ የሚጣለው ቀረጥ ምክንያታዊ አይደለም.	1	2	3	4	5
2	ቢሮክራሲ በጥቃቅንና አነስተኛ ኢንተርፕራይዞች ምዝገባና ፈቃድ መስጠት::	1	2	3	4	5
3	የመንግስት ድጋፎች እጥረት::	1	2	3	4	5
4	በ MSEs ውስጥ የፖለቲካ ጣልቃገብነት እና አለመረጋጋት	1	2	3	4	5
5	ከኤምኤስኢዎቻችን ጋር ተዛማጅነት ባላቸው የመንግስት ደንቦች ላይ ተደራሽ መረጃ አለመኖር::	1	2	3	4	5

5, የንግድ መረጃ ምክንያቶች

		የስምምነት መለኪያ				
		በጣም አልስማማም::	አልስማማም::	ገለልተኛ	እስማማ ለሁ	በጣም እስማማ ለሁ
		(1)	(2)	(3)	(4)	(5)
1	የንግድ መረጃ ለእኛ ዝግጁ ነው::	1	2	3	4	5
2	ያለው መረጃ ለንግድ ስራችን ጠቃሚ ነው::	1	2	3	4	5
3	ያለው መረጃ በንግድ አካባቢ ላይ ስላለው ለውጥ ያሳውቀናል::	1	2	3	4	5
4	ያለው መረጃ የንግድ ምዝገባ መስፈርቶችን ያሳውቀናል::	1	2	3	4	5
5	ለንግድ እድገታችን አስፈላጊው መረጃ በሰዓቱ ጥቅም ላይ ይውላል	1	2	3	4	5

ክፍል 3: የስራ ፈጠራ ንግድ አፈጻጸም

		የስምምነት መለኪያ				
		በጣም አልስማማም።	አልስማማም።	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
		(1)	(2)	(3)	(4)	(5)
1	የእኔ ንግድ የማይግ/የመስፋፋት አቅም አለው።	1	2	3	4	5
2	የእኛ የንግድ ትርፍ ዕድገት አጥጋቢ አይደለም.	1	2	3	4	5
3	የእኛ ንግድ ትርፋማ ነው።	1	2	3	4	5
4	የንግድ ትርፋችን ከጊዜ ወደ ጊዜ ጨምሯል።	1	2	3	4	5
5	የፋይናንስ መረጃን አስተማማኝነት እና ታማኝነት ያረጋግጡ።	1	2	3	4	5

ክፍል 4 : ከጥቃቅንና አነስተኛ ኢንተርፕራይዞች ኦፕሬተሮች ጋር የቃለ መጠይቅ ጥያቄዎች

- 1 ከንግድ ሥራ መረጃ ጋር የተገናኙ ምክንያቶች በእርስዎ MSEs አፈጻጸም ላይ ምን ያህል ተጽዕኖ ያሳድራሉ?
- 2 በ MSEs ውስጥ የንግድ ሥራን የሚነኩ ዋና ዋና ነገሮች ምንድን ናቸው?
- 3 ከመሠረተ ልማት ጋር የተያያዙ ጉዳዮች በንግድዎ አፈጻጸም ላይ ምን ያህል ተጽዕኖ ያሳድራሉ?
- 4 የተገለጹትን ችግሮች ለመፍታት ምን እርምጃዎችን ትወስዳለህ?
- 5 ከፋይናንሺያል ጋር የተያያዙ ምክንያቶች በንግድዎ አፈጻጸም ላይ ምን ያህል ተጽዕኖ ያሳድራሉ?

Appendix C

Reliability Statistics

Cronbach's Alpha	N of Items
.836	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FINANCIAL	12.6500	.639	.718	.860
INFRASTRUCTURE	13.0500	1.048	.779	.786
MARKETINGSKILL	12.6000	1.065	.842	.783
LEGALANDREGULATORY	13.0500	.972	.662	.798
BINFORMATION	13.0800	1.202	.615	.823
BPERFORMANCE	13.0200	1.225	.734	.821

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	261	1	2	1.25	.431
Age	261	1	4	2.20	.673
Education level	261	2	5	3.75	.742
Year of experience	261	1	4	1.69	.602
Type of business	261	1	4	2.82	.928
Credit institutions are insufficient to access loans easily	261	1	5	3.52	.979
There are governmental funds to support MSEs businesses	261	1	5	2.21	.812
The interest rate charged by banks and other lending institutions is unreasonably high	261	1	5	2.13	.819

There are non-governmental organizations (NGOs) funds to support my business	261	1	4	2.07	.728
Access to finance is a major challenge that affects the growth of my business	261	1	5	2.11	.740
There are frequent electric power interruptions	261	1	5	2.90	1.049
The water supply system is insufficient and with frequent interruption	261	1	4	2.10	.795
There is adequate road access in my business area	261	1	5	3.16	1.030
The transportation service is insufficient and not quick.	261	1	5	2.34	.745
we have got technology support from a micro and small institute	261	1	5	2.39	.775
Access to business information affects the performance of my business	261	1	4	2.39	.724
We have inadequate market access for my product/service	261	1	4	2.33	.784
We have problems of formulating marketing strategy	261	1	4	2.42	.783
Business information is readily available in this market	261	1	4	2.42	.803
Lack of establishing a market network	261	1	4	2.32	.824
The tax levied on micro and small enterprises is not reasonable	261	1	5	2.32	.797
Bureaucracy in micro and small enterprises registration and licensing.	261	1	5	3.59	.975
Lack of government support MSEs.	261	1	5	3.56	.895
Political intervention and instability in MSEs	261	1	5	3.61	.936
Lack of accessible information on government regulations that are relevant to our MSEs.	261	1	5	3.66	.878
Business information is readily available to us	261	1	4	2.07	.635
The information available is relevant for our business	261	1	4	2.07	.463
The information available informs us of the changes in the business environment	261	1	4	2.10	.557

The information available inform us of the business registration requirements	261	1	4	1.97	.467
The information necessary for our business growth is availed on time	261	1	4	2.05	.552
Our business has the potential to grow/expand	261	1	4	2.08	.569
The growths of our business profit are not satisfactory	261	1	4	2.12	.559
The our business is profitable	261	1	4	2.09	.561
our business profit increased from time to time	261	1	4	2.13	.596
Ensure the reliability and integrity of financial information	261	1	4	2.10	.564
Valid N (listwise)	261				

Correlations

		FINANCIAL	INFRASTR ACTURE	MARKETING SKIL	LEGAL	BINFOR MATION	PERFOR MANCE
Financial	Pearson Correlation	1	.678**	.662**	.704**	.660**	.867**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	261	261	261	261	261	261
Infrastructure	Pearson Correlation	.678**	1	.716**	.766**	.788**	.768**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	261	261	261	261	261	261
Marketing skill	Pearson Correlation	.662**	.716**	1	.805**	.558**	.729**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	261	261	261	261	261	261
Legal	Pearson Correlation	.704**	.766**	.805**	1	.577**	.790**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	261	261	261	261	261	261

Binformation	Pearson Correlation	.660**	.788**	.558**	.577**	1	.755**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	261	261	261	261	261	261
Bperformance	Pearson Correlation	.867**	.768**	.729**	.790**	.755**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	261	261	261	261	261	261

** . Correlation is significant at the 0.01 level (2-tailed).

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.925 ^a	.855	.852	.21751	1.014

a. Predictors: (Constant), INFRACTURE, FINANCIAL, BINFORMATION, LEGAL, MARKETINGSKIL

b. Dependent Variable: PERFORMANCE

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	70.978	5	14.5	300.045	.000 ^b
	Residual	12.064	255	.047		
	Total	83.042	260			

a. Dependent Variable: PERFORMANCE

b. Predictors: (Constant), INFRACTURE, FINANCIAL, BINFORMATION, LEGAL, MARKETINGSKIL

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.321	.079		4.048	.000
	FINANCIAL	.423	.034	.473	7.46	.000
	MARKETINGSKIL	.046	.034	.062	1.345	.000
	LEGAL	.197	.035	.255	5.698	.000
	BINFORMATION	.181	.024	.257	7.671	.000
	INFRACTURE	.011	.030	.010	.362	.000

a. Dependent Variable: BUSINESS PERFORMANCE

