

**PERFORMANCE OF SMALL SCALE ENTERPRISES IN DIRE
DAWA CITY ADMINISTRATION AND ITS IMPLICATION FOR
PROMOTION TO MEDIUM SCALE ENTERPRISES**

MBA THESIS

MELKAMU ZEWDU

**MARCH 2018
HARAMAYA UNIVERSITY, HARAMAYA**

**Performance of Small Scale Enterprises in Dire Dawa City
Administration and Its Implication for Promotion to Medium Scale
Enterprises**

**A Thesis Submitted to the Department of Management,
Directorate for Postgraduate Program
HARAMAYA UNIVERSITY**

**In Partial Fulfillment of the Requirements for the Degree of
MASTER OF BUSINESS ADMINISTRATION**

Melkamu Zewdu

**March 2018
Haramaya University, Haramay**

DEDICATION

To My Mother W/ro Birhane Getachew

STATEMENT OF THE AUTHOR

By my signature below, I declare and affirm that this thesis is my own work; I have followed all ethical and technical principles of scholarship in the preparation, data collection, data analysis and compilation of thesis. Any scholarly matter that is included in the thesis has been given recognition through citation.

This thesis is submitted in partial fulfillment of the requirement for a Masters of Business Administrative Degree at Haramaya University. The thesis is deposited in the Haramaya University Library and is made available to borrowers under the rules of the library. I solemnly declare that this thesis has not been submitted to any other institution anywhere for the award of any academic degree, diploma or certificate.

Brief quotations from this thesis may be made without special permission provided that accurate and complete acknowledgement of the source is made. Request for permission for extended quotation from or reproduction of this thesis in whole or in part may be granted by the head of the school/department when in his or her judgment the proposed use of the material is in the interest of scholarship. In all other instance, however, permission must be obtained from the author of the thesis.

Name: Melkamu Zewdu

Signature: -----

Date: -----

Department: College of Business and Economics, Management Department

BIOGRAPHICAL SKETCH

The author of thesis was born on July 14, 1981 in Dire Dawa City. He attained his primary education at Legehere Elementary and Junior Secondary School, and secondary education at Dire Dawa Comprehensive Senior Secondary School. The author graduated from Haramaya University Faculty of Continuing and Distance Education Diploma in Mathematics on July 2005 and Degree in Managements on July 2008.

The author had been teaching Mathematics until November 2008. From December 2008 to 2014 he taught management course and assigned as a vice dean in Ethio – Italy Poly Technique College. From August 2014 up to now he has been working as a public grievance and petition hearing adviser and researcher case team leader in Dire Dawa Mayor’s Office. In order to get master’s degree in Business Administration, he joined Business and Economics College of Haramaya University in 2016.

ACKNOWLEDGMENTS

First of all, I would like to express my gratefulness to my advisor Robson Mekonnin (Assistant professor) for his constructive comment, which has played an important role in my professional career development, Robson Mekonnin thank you for your guidance, encouragement and invaluable comments throughout this process. I am so honoured that you agree to advise me and I am truly appreciative for your positive words of encouragement.

I would like thank you Dire Dawa Micro and Small Enterprise Development Agency Manager Ato Wegayehu Gashaw, Ethio Italy poly Technique and Meles Zenawi TVET College vice deans and Dire Micro Finance Process Owner for their openness and positivity during data collection and interviews. Without their information, insights and comments I could not have written this thesis. I am grateful to my research assistant who have been working hard in data collection specially the TVET teachers.

Special thanks to Dr. Adugna Tafesse Deputy Mayor's Office and Cabine Affairs, Ato Gebeyehu Tilahun Dire Dawa Cooperative Agency Manager, Ato Abdela Aliye Dire Dawa Environmental Protection Authority Manager and Ato Harun Abdurhaman Dire Dawa Public Grievance and Petition Hearing Directorate and also my staff to for their support and encouragement.

Finally I would like to thank you my mother, brothers and sisters, for who supported me during my study a huge thanks to my wife Fesesework Kebede and my son Natan Melkamu and Nahom Melkamu GOD BLESS YOU.

ACRONYMS AND ABBREVIATIONS

BDS	Business Development Service
BoFED	Bureau of Finance and Economic Development
CSA	Central Statistical Authority
CED	Committee for Economic Development
DDMSEDA	Dire Dawa Micro and Small Enterprises Development Agency
EC	European Commission
GDP	Gross Domestic Product
HASIDA	Handicraft and Small Scale Industries Development Agency
MoUDC	Ministry of Urban Development Construction
MoTI	Ministry of Trade and Industry
MSME	Micro, Small and Medium Enterprises
MSEDP	Micro and Small Enterprises Development Program
NGO's	None Government Organizations
ReMSEDA	Regional Micro and Small Enterprises Development Agency
ILO	International Labor Organization
SE	Small Enterprises
TVETA	Technical and Vocational Education and Training Agency
TVETC	Technical and Vocational Education and Training College
UN	United Nations
UNIDO	United Nations Industrial Development Organizations

TABLE OF CONTENTS

Contents	page
DEDICATION	iii
STATEMENT OF THE AUTHOR	iv
BIOGRAPHICAL SKETCH	v
ACKNOWLEDGMENTS	vi
ACRONYMS AND ABBREVIATIONS	vii
LIST OF TABLES IN THE APPENDIXS	xiii
ABSTRACT.....	xiv
CHAPTER 1	2
INTRODUCTION	2
1.1. Background of the Study	2
1.2. Statement of the Problem.....	3
1.3. Research Hypothesis.....	7
1.4. Objective of the Study	7
1.4.1. General objective	7
1.4.2. Specific objectives	7
1.5. Scope of the Study	8
1.6. Significance of the Study	8
1.7. Limitation of the Study	9
CHAPTER 2	10
LITRATURE REVIEW.....	10
2.1. Over view of Small Enterprises	10
2.2. Definition of Small Scale Enterprises.....	11
2.3. Small Enterprise Development Strategy	14
2.4. Small Enterprises Contribution.....	15
2.5. Factors affecting promotion of Small Enterprises	16
2.6. Small and Medium Scale (SMES) Strategy for Sustainability	21
2.7. Ethiopia’s MSE Promotion Policy.....	23
2.8. Some Sub-Saharan Countries Experiences on Factors affecting of SEs from Empirical Evidences.....	23

CHAPTER 3	26
RESEARCH METHODOLOGY	26
3.1. Description of Study Area	26
3.2. Research Design.....	28
3.3. Definition of Operational Variables.....	29
3.4. Description of Population and Sampling Method.....	32
3.4.1. Target population	32
3.4.2. Sampling frame	32
3.4.3. Sampling technique.....	33
3.4.4. Sampling size	33
3.5. Method of Data Collection.....	34
3.6. Research Instrument.....	35
3.6.1. Questionnaire design.....	35
3.6.2. Interview	35
3.7. Method of Data Analysis	35
3.7.1. Model specification.....	36
3.8. Validity and Reliability of Measurements	39
3.9. Ethical Consideration.....	41
CHAPTER 4	42
RESULT AND DISCUSSION	42
4.1. Demographic Data	42
4.1.1. Characteristics of business owners	43
4.2. Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises	46
4.2.1. Inferential statistics results.....	46
4.3. Analyses for Interview	53
CHAPTER 5	58
CONCLUSIONS AND RECOMMENDATIONS	58
5.1. Conclusions.....	58
5.2. Recommendations.....	61
6. REFERENCES	62
APPENDIX A.....	67
APPENDIX B	73

APPENDIX C 74
APPENDIX D..... 75
APPENDIX E 76
APPENDIX F 77

LIST OF TABLES

No	Table	Page
1	MSME definitions employed in Ethiopia	13
2	Financial factors	15
3	Managerial factors	16
4	Marketing factors	17
5	Definition of operational variables	26
6	Sample Frame	28
7	Proportional stratified sample frame	30
8	Financial factors that affect the promotion of small enterprises in to medium enterprises	42
9	Model Summary	44

LIST OF FIGURES

No	Figure	Page
1	Conceptual frameworks	22
2	Map of Ethiopia	23
3	Dire Dawa Administrations Division by Kebele	24
4	Sex of respondents	37
5	Age of respondents	38
6	Education level of respondents	39
7	Business type	40
8	Establishment of the business	40

LIST OF TABLES IN THE APPENDIXS

No	Appendix Table	Page
1	Appendix C correlation matrix	72
2	Appendix D Model Summary	73
3	Appendix E Collinearity Statistics	74
4	Appendix F Collinearity Diagnostics	75

PERFORMANCE OF SMALL SCALE ENTERPRISES IN DIRE DAWA CITY ADMINISTRATION AND ITS IMPLICATION FOR PROMOTION TO MEDIUM SCALE ENTERPRISES

ABSTRACT

This study investigates some key Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises. For the sake of achieving the objectives of this study, based upon interviews, questionnaires and both sources of data through which are investigated the problem of small scale enterprises promotion process. The data were analyzed using statistical analysis such as inferential analysis, SPSS version 20 statistical package software and the interview questions were analyzed using narration. The filed survey were arranged from the sample of 171 small enterprises owner and the interviews purposively selected that 6 representatives of the sectors or organization were expected to answer the same question, which allowed confronting directly their opinions. The empirical study elicited major implication of promotion small scale enterprises of among which are: financial, market, infrastructure, political, entrepreneurial, technology, raw material and management. The findings further indicate that, positive significant ranging from substantial to strong relationship between independent variables affecting the variations in the dependent variable at 1% level of significance. Finally, based on findings possible recommendations were given. These include that by the government, private sectors, NGO's and who serves interested to take the initiatives. Improved provision of necessary infrastructure, provide financial facility, to provide training, government sector revising plan in order to update with the new rules and procedures, creating the market linkage to large industries, build more working area and working together the responsible bodies and small enterprises, avoid lack of confidence, improving commitment, set vision and goals, select proper technology and develop saving culture are forwarded.

Key words: - Small enterprises, promotion, factor

CHAPTER 1 INTRODUCTION

1.1. Background of the Study

Internationally, SMEs development can promote national and regional economic development goals, reduce unemployment by creating new jobs, alleviate poverty by enabling the poor to make money, facilitate the transition to market economy, promote equity and balanced development, and promote democracy, and enhance the development of society (ILO, 2002). The particular interest is the process of promotion of these enterprises from small scale enterprises into medium scale enterprises, as it is when they become medium sized that growth-oriented SMEs make their most tangible contribution to sustainable economic growth and job creation (Piper, 1997).

Small and medium enterprises (SMEs) comprise a very broad range of initiatives, from the established, traditional family businesses that employ more than a hundred people (this usually refers to medium-sized enterprises), to the mere survivalist, self-employed individual who originates from the poorest of the population, this usually refers to informal micro enterprises (Berry *et al.*, 2002).

According to Spence (2012), sustainable businesses can adapt superiorly to change and usually create long-term financial value. A high rate of business failures exists due to the lack of adequate entrepreneurial culture and education and therefore a definite need exists to maintain the sustainability of businesses in the long term. According to Booyens (2011), SMEs need to be creative with the newly introduction of new products and services to gain business sustainability.

Sustainable businesses could be interpreted in many ways and may in turn lead to adding value to the environment, communities, customers and the bottom line for businesses of different sizes. Companies recognize that successful business performance is the result of successful sustainability, as stated by (Rainville, 2012).

The aim of this study is to examine Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises, through examine the challenges that hinder the promotion process include financial problems, lack of qualified employees, lack of proper financial records, marketing problems and lack of work premises, etc. Besides, external performance affects the business which includes social, economic, cultural, political and technological factors. In addition there are also personal attitudes or internal performance that affect the performance of Small Enterprises, which are related to the person's individual attitude, training and technical know-how (Werotaw, 2010). According to DDMSEA developed promotional criteria such as; annual profit, saving and repayment of loan, number of employees, substitute import goods or implementation of technology transfer also it affecting promotion. Generally, there are external (contextual) and internal performance which are still affecting implication for promotion of small enterprises in to medium enterprises.

1.2. Statement of the Problem

Small enterprises are the key for most developing countries' economy. Due to the fact that micro and small enterprises play great role in creating employment opportunity and supporting large manufacturing companies in the economy (Getent and Tamrat, 2012). Small enterprises is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high level trainings, much capital and sophisticated technology (MoTI, 2004). MSE is said to make a significant contribution to creating new job opportunity. Economic development of the country through provision of the breeding ground for the medium and large scale enterprises promoting national and regional economic development goal, facilitating the transition of economy promoting equitable development and democracy (Abor and Quartry, 2010).

As far as small scale enterprises understand and implement the strategies are very important promote in to medium scale enterprises (Henry, 1991). However, studies conducted in less developed countries show that small enterprises have faced with different problems which hinder them to promote in to the next level of business classes

(Piper, 1997). According to Sertswold (2007) most micro and small enterprises in developing countries especially in Ethiopia have many problems for promotion and growth due to different factors. Evidence that finance access, Management skills, market access, support MSEs get, accounting and record keeping is positively and significantly related with average capital growth. The poor infrastructure condition is negatively and significantly related with average capital growth (Getent and Tamrat, 2012).

Responsibility action for sustainable way of doing business is demanded on basis of chain responsibility or because of company size and power in society. The implementation and execution of a sustainable approach primarily for larger companies and corporations are usually implemented by a sustainability concept. For small and medium sized enterprises (SMEs) there might not be such high amount of resources and such a strategic approach towards triple bottom line thinking, even though many SMEs “integrate social and environmental concerns in their business operation and in their interaction with their stakeholders” (European Commission, 2007).

According to Growth Transformation Plan, GTP II, the development of enterprises and growth in overall value added, by providing a concerted and targeted support aimed at addressing their bottlenecks which takes in to account their level of growth, up to 2% (62,500) of the enterprises will graduate from micro to small enterprises and 10,000 enterprises will graduate from small to medium industry.

The profile of existing micro and small enterprises in Dire Dawa City Administration shows that 1,750 operators and 437 cooperatives enterprises have been organized and started their business under micro and small enterprises development program from the year 2011 to 2015 (DDMSEDA, 2016). The profile shows that the only small scale enterprises number increased , but the number of medium enterprise that has been transferred from small scale enterprises in to medium scale enterprises are 91 in five years which means very small number between 2011 and 2015 (DDMSEDA, 2016). These show that there is a problem in implication for promoting or transferring enterprises from small scale to medium scale enterprises. This implies that the problem is serious and needs urgent response from officials of the responsible sectors.

The researcher's literature shows that, for example, Workneh (2007) and Solomon (2004) stressed that factors that hinder performance of small enterprises and determinant the factors for the growth of small enterprise studies number of challenges.

The study conducted by Workneh (2007) with the objective of analyzing factors that hinder the performance of MSEs found that lack of capital, lack of markets, bureaucratic regulatory requirement, problem of business development services and inappropriate locations are still major problems of the sector.

Apart from these, the research conducted by Solomon (2004) also tried to analyze determinants growth of MSEs and found that product diversification is a major determinant for the growth of small enterprises. The researcher came up with finding that business experience is associated with new start-ups calls for the promotion of the culture of apprenticeship and experience sharing for the young as a possible area of intervention in employment generation schemes to minimize the extent of unemployment. But the researchers did not see how external and internal performance affects implication for promotion of small scale enterprises in to medium scale enterprises.

This study is deemed to fill the gaps by identifying specifically emphasis on Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises. The research conducted on the performance of small enterprises and its implication for promotion in different ways topic particularly in Dire Dawa none on this topic.

The above mentioned problems or its implication for promotion of small scale enterprises and thereby their promotion process to the emerging in to medium sized enterprises; the incapability of these enterprises promote to medium level enterprises has created vacuum which is referred to as missing middle (Henry, 1991). The federal micro and small enterprise development agency confirm that micro and small firms rarely ever grow into medium scale enterprises. Reflect lack of entrepreneurial and managerial capability. They often prefer to diversify into new activities rather than to develop and expand their respective core activity. It analyses the determinants of external and

internal Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises. Research has shown that in order to achieve the contributions made by small enterprise and ensures them to promote; it is required to overcome series challenges such as: financial, marketing, political, raw materials, infrastructural, entrepreneurial, managerial and technological, because they are the common and major factors in making businesses to fail (Okpara, 2011). As Ishengoma and Kappel (2008) reveals, the factors hindering the potential growth of small enterprises in sub-Saharan countries are limited access to credit and market, business services like marketing information, networking and short-term training are some of the reasons for many small enterprises failing to promote. In Dire Dawa City specifically, small enterprises have been confronted in the past with many of these problems. Therefore, this study tries to investigate those Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises.

In view of the problems, the central questions of this study are:

- 1) What are the external Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises?
- 2) What are the internal Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises?
- 3) How can the influence of these factors be minimized?

1.3. Research Hypothesis

With the help of sufficient and appropriate data on the Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises, this study was used the following hypothesis:

Hypothesis ₁: The business environments of Dire Dawa designed at Small Scale Enterprises development do affect implication for promotion of small scale enterprises to medium scale enterprises.

Hypothesis ₀: The business environments of Dire Dawa designed at Small Scale Enterprises development do not affect implication for promotion of small scale enterprises to medium scale enterprises.

1.4. Objective of the Study

1.4.1. General objective

The general objective of this study is to examine Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises,

1.4.2. Specific objectives

- 1) To investigate external performance of small scale enterprises in dire dawa city administration and its implication for promotion to medium scale enterprises.
- 2) To examine internal performance of small scale enterprises in dire dawa city administration and its implication for promotion to medium scale enterprises.
- 3) Recommend possible solution to alleviate the challenges faced by small enterprises in the promotion processes.

1.5. Scope of the Study

The scope of this study, as its major objective is to investigate performance of small scale enterprises in dire dawa city administration and its implication for promotion to medium scale enterprises, so this study includes the political, raw material, technological, infrastructural, marketing, financial, management and entrepreneurial factors. The study includes the business sector of manufacturing, construction, service, sales trade, and urban agriculture.

1.6. Significance of the Study

It is possible to say that insufficient attention was given to research that focuses on examining performance of small scale enterprises in dire dawa city administration and its implication for promotion to medium scale enterprises, which can have advantage on industrial development if there were attempts on investigating further on such area, effectiveness of the sector could be improved in the Dire Dawa City Administrative. Thus, this research: have a good perception on the pattern of development among different main sector, will provide relevant information to policy makers, to development planners, to concerned government authorities which are working on the MSED, gives an essential knowledge regarding with the issue of effectiveness of small enterprise in the economy. Moreover, give an insight about the untouched issues discussed above. In general, the study would have importance in such way that it helps as a reference and encourage who have an interest in the related problems that they can use this study.

1.7. Limitation of the Study

The researcher has paid due attention to ensure the reliability of the data collected and managed the impact of associated problem. Efforts were made to get as representative of the total population and reliable data as possible. Despite this, during the process of undertaking the study some problem were encountered such as, shortage of sufficient data. This problem is mainly attributed to the fact that most small enterprises don't pay attention for documentation of records business aspects. The other limitations were lack of giving genuine information by the small business owner and shortage of time faced during the study.

CHAPTER 2

LITRATURE REVIEW

This section of the study focuses on discussing; providing for definition of some terms and concepts approaches to understand the concept, the importance to development, contribution to the economy, characteristics of small enterprises, implication for promoting the sector, small and medium scale strategy for sustainability and conceptual frame -work are incorporated in order to provide some insight about the study.

2.1. Over view of Small Enterprises

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

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

Generally, there is no single and universally acceptable definition of a small enterprise (Kayanula and Quartey, 2000). This is so because the criteria and ways of categorizing enterprises as micro and small from institution to institution and from country to country depending essentially on the country's level of development. Even within the same country, definitions also change overtime due to changes in price levels, advances in technology or other considerations (Emma.*et al.*, 2009). Firms differ in their levels of capitalization, sales and employment.

The World Bank defines SMEs as follows: Small enterprise - up to 50 employees, total assets and total sales of up to Birr 3 million; Medium enterprise - up to 300 employees, total assets and total sales of up to Birr 5 million (Ayyagari, *et al*, 2007). This definition provides a general context for understanding all SMEs studies.

When applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result. The absence of such uniform definition of MSEs has created a difficulty.

In line with this, Tegene and Meheret (2010) argued that the absence of a single or globally applicable definition has made the task of counting the number of MSEs and assessing their impact extremely difficult across countries, though the rationale for most government to make such definition and categorization is mainly for functional promotional purposes to achieve the desired levels of development of the sector.

2.2. Definition of Small Scale Enterprises

United Nations Industrial Development Organizations (UNIDO) Accordingly, it defines micro enterprises as the business firms with less than 5 employees and small enterprises as the business firms with 5-19 employees (UNIDO, 2002).

The United States of America

The Small Business Act issued in 1953 stated that, small business is one which is independently owned and operated and not dominant in its field of operation. The act also further stated that, number of employees and sales volume as guideline in defining small business (Major and Radwan, 2010). In the same country, a committee for economic development (CED) has explained that small business is characterized by at least two of the key features: management is independent (usually the managers are owners), capital is supplied and an individual or small group holds ownership and the area of operation is mainly local (workers and owners are in one home country). An enterprise is defined as small scale if it satisfies any two of the three criteria, that is, it has a capital investment of Birr 2,000 - 55,000, employing 5-20 people and with a turnover of up to Birr 110,000.

The same authors narrated that: Some of the key characteristics of small enterprises are mobilizing funds which otherwise would have been idle; being a seed-bed for indigenous entrepreneurship; their labor intensiveness; employing more labor per unit of capital than large enterprises; promoting indigenous technological know-how; using mainly local resources; thus have less foreign exchange requirements; catering for the needs of the poor and adapting easily to customer requirements (flexible specialization).

Definition adopted in Australia

The Australian Bureau of Statistics (ABS) defines an Australian small business as an actively trading business with 0-19 employees and a medium-sized business as an actively trading business with 20-199 employees. Thus, the two common ways of defining an Australian small business is by annual turnover and the number of employees or a combination of the two, (Australian Bureau of Statistics, 2011). The specific definition adopted in this study is the one adopted by ABS.

Definition adopted by the Tanzanian government

According to the ministry of industry and trade in Tanzania, small businesses are collectively defined under the nomenclature SMEs. SMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). In the Tanzanian context, micro enterprises are those engaging up to four people in most cases family members or with an investment not exceeding 5.0 million TSHS – (Tanzanian shillings) the majority of which fall under the informal sector. Small enterprises are mostly formalized undertakings engaging 5 to 49 employees or with capital investment of TSHS.5.0 million to TSHS.200 million. Medium enterprises employ about 50 to 99 employees and use capital investment from about 200 to 800 million TSHS.

Definition in Ethiopian context

The Authority based its definition on size of employment and automation for small, medium and large-scale enterprises and a combination of criteria for informal sector operators. However, this definition could possibly incorporate some capital-intensive establishments, which could fall solely under medium or large-scale categories. Thus, in order to exclude those capital intensive enterprises which will not be entitled for the support services and address the real target MSEs, it is advisable to use a definition that can take this into account. Hence, a definition that is based on capital and which takes into consideration the level of technical and technological capacities is adopted.

Since there are limited resources available to address all the needy enterprises, it is also recommended to narrow the definition at this stage and expand it later as resources permit. Thus the following definition is used to categorize the sector for the purpose of this strategy at this stage. Micro Enterprises are those small business enterprises with a paid-up capital of not exceeding birr 20,000, and excluding high tech. consultancy firms and other high tech. establishments. Small Enterprises are those business enterprises with a paid-up capital of above 20,000 and not exceeding birr 500,000, and excluding high tech. consultancy firms and other high tech. establishments. Medium-scale enterprises typically result from the slow and steady growth that results from a successful small business. As a company earns more revenue, it sets aside the capital needed for buildings, equipment and more employees, eventually bridging the gap between small business and large corporations.

The Central Statistical Authority (CSA) based its definitions on the size of employment and extent of automation for small, medium and large – scale enterprises and used a combination of criteria for defining operators. Those enterprises large and medium scale manufacturing enterprises have been classified as establishments with more than ten employees using automated machinery. Those small and medium enterprises are establishments that engage less than ten persons using power driven machinery and cottage/ handcrafts are household type enterprises located in households or workshops normally using own or family labor and mostly manual rather than automated/mechanical machinery.

Table 2.1:- MSME definitions employed in Ethiopia

Types of enterprises	paid up capital (fixed asset)	No. of workers
Micro – enterprise less than	Birr 20,000	under 10
Small enterprise	Birr 20,000 – 500,000	11-50
Large and medium enterprise	More than Birr 500,000	over 50

Source: - MoTI (1997), Zewde and Associates (2002)

As we can understand from the above definitions, there is no universally acceptable definition of MSEs. Different scholars define MSEs differently based on the level of development of the country under review. As shown above, for this research study concerned the definition of Ethiopia.

2.3. Small Enterprise Development Strategy

Enterprise promotion efforts in Ethiopia have traditionally focused on urban based and MSEs. In the 1960s and early 1970s, a department within the Ministry of Industry and Tourism was responsible for coordinating promotion activities which basically consisted of providing training on business management (United Nations, 2002).

As stated by United Nations report (2002): In 1977, the Handcraft and Small Scale Industries: Development Agency (HASIDA) was established to provide training mainly in management and technical skills and to serve as coordinating agency for Government policy on small enterprises. Shortage of funds and unfavorable government policy toward the private sector in the 1980s made it extremely difficult for HASIDA to have an impact on the development of local small enterprises. Since mid-1999, the government has revisited the whole issue of small and medium enterprise promotion in Ethiopia but with more focus on micro and small enterprises. A major study was conducted with the support of a donor agency which resulted in the preparation of a National Micro and Small Enterprises Development Promotion Strategy (NMSEDPS).

The Ethiopian government released the country's first MSEs development strategy in November 1997 E.C. The primary objective of the national strategy framework is to create an enabling environment for MSEs. In addition to this basic objective of the national MSE strategy framework, the MoTI has developed a specific objective which includes, facilitating economic growth and bring about equitable development, creating long-term jobs, strengthening cooperation between MSEs, providing the basis for medium and large scale enterprises, promoting export, and balancing preferential treatment between MSEs and bigger enterprises (MoTI, 1997). The strategy outlines the policy framework and the institutional environment for promoting and fostering the development of MSEs and stimulating the entrepreneurial drive in the country.

2.4. Small Enterprises Contribution

Small scale enterprises are one of the priority areas of action among the Programs addressing African development (UN, 2008), and it can be seen as a means of achieving smooth transition from traditional to modern industrial sector; and has a huge contribution to the growth and development of the country in terms of employment generation with a relative low capital cost (Stephen and Wasuu, 2013). In light of this, GFDRE has recognized the contributions of MSE to the national development efforts and MSE's strategy was formulated and has been implemented since 1997 (MSEDS, 2011). During the first MSE's development strategy (1997 to 2002) more than 1.5 million people were employed.

In addition, according to the Federal Micro and Small Enterprise Agency yearly statistical bulletin (2013) about 2,681,367 people were employed in MSEs, which is more than 48% improvement from the expected plan of the GTP (1,800,000). Besides, the strategic direction of GTP has taken MSE's as a key for industrial development and envisaged structural transformation of the national economy (MoFED, 2010). The annual Report of the Federal Micro and Small Enterprises Agency (2013) has shown that in the years ranging from 2011 to 2013 many (about 1775) small enterprises were promoted to medium level; and the sector had also contributed to the development of the country economy by fetching 14 Billion Birr and 864 million Birr from the local and foreign markets, respectively.

2.5. Performance of Small Scale Enterprises and Its Implication for Promotion

Even though MSE's have important roles in economic development, poverty alleviation, employment opportunity, they are critically challenged by certain impeding factors to sustain within the sector. Bowen *et al.* (2009) in Kenya revealed that three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, cost of materials and low demand of the products.

The problem confronting MSE's appears to be similar in least developed or developing countries. However, the extent of the problems varies from country to country and industry to industry; and it depends on firms' characteristics (Aremu and Adeyemi, 2011). Currently, there are many internal and external challenges face MSE's in their operations and hinder their growth in Ethiopia (MoUDC, 2013). A hard look at various studies has revealed a number of deterrents to the growth and survival of the MSEs. These are summarized as under.

- 1) **Financial** such as inadequate investment capital, insufficient loan, and inefficient financial market are the major obstacles in doing business, and most MSE's are highly risky ventures involving excessive administrative costs and lack of experience in dealing with financial institutions CLEP (2006). According to Sacerdoti (2005) in Habtamu *et al.* (2013), financial institutions such as microfinance and the banking systems in Africa are not in a position to provide enough financial support to the expansion of micro and small businesses. MoUDC (2013) also identified that financing has become a principal challenge to micro and small scale enterprises in Ethiopia; except city administrations and regional microfinance institutions, their savings and family supports, banks in Ethiopia do not provide finance in the form of loan to MSE's due to collateral obligations and other requirement.

Table 2.2:- Financial

<ul style="list-style-type: none"> • Inadequate credit facilities and sources • Poor cash flow analysis and management • Failure to analyze financial statements • Lack of record keeping and documentation • Poor management of loans and grants • Poor management of cash • Mismatching the sources and uses of funds 	<ul style="list-style-type: none"> • Poor receivables and payables management • High investment in fixed assets during start-up • Unplanned withdrawal of cash for personal use • Misperception of turnover as profit • Underutilization of company assets (space, machines etc) • High interest rates on loans • High collateral requirement by lenders • Lack/inaccessibility of growth financing sources
--	---

Sources: - Gurmeet and Rakesh (2008), Okpara (2011)

- 2) **Lack of managerial skills** the problems of MSE's management arises from the limited knowledge and ability of the owner or shortage of competent staff to advice the owner on management policies (Stephen and Wasiu, 2013). Decision-making skills, sound management and accounting practices are very low for MSE operators in developing countries (Aremu and Adeyemi, 2011). In addition, lack of managerial skills leads to problems in production due to lack of coordination of production process, and inability to troubleshoot failures on machinery and/or equipment's and they cannot afford to employ specialists in the fields of planning, finance and administration (CLEP, 2006).

Table 2.3:- managerial

<ul style="list-style-type: none"> • High employee turnover procedures • Lack of open communication b/n owner/ manager and employees • Lack of experienced employees in the market • Lack of proper organizational structure • Centralized one man decision/making • Low level of standardization of products and services • Inaccessibility /unavailability of training facilities • Lack of general managerial, experience skills and training • Lack of strategic business planning 	<ul style="list-style-type: none"> • Lack of well trained employees in the market • Lack of clear division of activities and duties • Lack of experience in running a business • Lack of vision and growth orientation • Lack of evaluating results against plans on continuous basis • Rigid decision making patterns/ inflexibility • Inability to compete with large companies
---	--

Sources: - John O. Okpara (2011) and Njanja *et al* (2010).

3) Lack of adequate market, marketing knowledge is important for the promotion, growth and development of small enterprises. In this regard, the Ethiopian government has formulated small enterprises strategies to ease marketing challenges by creating inter-linkage mechanisms with other institutions, providing training on marketing, developing export support programs and marketing information center (MoTI, 1997). However, inability to sell the products and services; lack of adequate marketing channels, and lack of marketing skills are the problems to the starting of business and further growth of the sector (MoFED, 2011).

Table 2.4:- Marketing

<ul style="list-style-type: none"> • Lack of marketing research • Lack of follow up on customers • Lack of market segmentation • Lack of clear pricing policy and Strategy • Lack of demand forecasting • Lack of knowledge of low-cost marketing strategies • Lack of knowledge of market 	<ul style="list-style-type: none"> • Poor location/business site • Poor customer relationship • Lack of marketing expertise • Money to buy advertising space and time misperception of marketing benefits • Lack of knowledge of sources of marketing information • Poorly trained sales staff
---	--

Sources: - MSE Development Strategy, (1997) and John O. Okpara (2011)

4) Inadequacy of infrastructure facilities a research conducted by Daniel (2012) stated that unfavorable roads, power interruption, shortage of water, and inaccessible telecommunications are the major challenges and without which primary, secondary and tertiary production cannot function. Furthermore, Habtamu *et al.* (2013) indicated that MSE's operating with available infrastructure facilities has higher probability of long lasting existence and growth as compared to those MSEs that are operating without adequate infrastructures; and electric power interruption and inadequate water supply in Ethiopia was highly affected the growth of the business. Therefore, emphasis should be given since the success or failures of MSE's business growth and development depend on the availability and efficiency of infrastructure utilization.

5) Raw materials erratic supply of raw materials linking MSEs to production input suppliers, improving suppliers' capacity and regular supply of quality information on input supply sources have positive effects on the success of MSE's (Siva, 2012). As MoFED (2013) has pointed out one of the major problems constraining the MSE's development in Ethiopia was found to be erratic supply of raw materials. To ameliorate such a problem, an aggressive strategy needs to be crafted to promote business ventures which supply inputs by local and international investors.

- 6) **Entrepreneur:** wrong attitude of entrepreneur and their workers the attitude of some entrepreneur to loans and that of their workers to work is counterproductive. Some entrepreneur when offered credit facilities mismanage and used in wrong way, since salaries or wages of those in SMEs are smaller compared to those in large- scale multinationals, some of the workers engage in eye service and are not productive, (Adelaja, 2010).
- 7) **Technological capacities** Drucker (1985) noted that new technologies improve efficiency, enable greater production, and are a source of profit for SMEs. According to Morse *et al.* (2007), technological capabilities benefit SMEs in several ways: they enhance SME efficiency, reduce costs, and broaden market share, both locally and globally. As noted by Lee (2001), a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. Romijn (2001) and Yusuf *et al.* (2003) point out that low technological capabilities hinder and discourage SMEs from fully reaching their potential.
- 8) **Political** according to Lumpkin and Dess (1996) the growths of SMEs are affected by its business climate. Clement *et al.* (2004) noted that an unfavorable business climate has negative effect on small firm growth. Brown (2007) identified competition as one of the major hindrances to the growth of small firm. Davidsson (1989) 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. He further emphasized that the cost of complying with regulations and increased tax rates increases small firms' expenses while limiting their growth. Likewise, St-Jean *et al.* (2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth.

2.6. Small and Medium Scale (SMES) Strategy for Sustainability

Sustainable is recognized as an essential requirement for achieving economic goals without degrading the environment; major problems arise in implementing the concept of promotion. At the most basic level, researchers dealing with promotion development have suggested that the achievement of sustainability requires ecologically sustainable political and economic systems, organizations, and individuals specifically; governments, consumers and enterprises contribute and play crucial; roles in reaching sustainable development (Bansal, 2011). As a result, if goals of sustainability are to be achieved, small and medium- sized enterprises must be reformed to minimize their negative ecological and social impacts (Ishengoma and Kappel, 2006).

Generally, SMEs will have to assist and facilitate growth, multiply and replicate into sufficient mass across industries and sectors. The SMEs sector is considered to be the backbone of the modern day economy. The importance of this segment is undisputed. However, the yawning gap between the needs, demands and policy response in this unorganized sector has always dampened the sector's prospects (Bansal, 2011).

Hence, it becomes imperative for us to ensure that SME sector, which is facing one of the toughest times in the industrial history, should be strongly supported by relevant stakeholders, government, financial institutions, associations, etc. This is to enable the sector to play its sustainability roles in the economy. SMEs contribution towards sustainable development is small, taken together SMEs have a very large impact on the development quality of a specific geographic area. The more presence of SMEs in the economy of a particular area, the more important is the SMEs role for achieving sustainability (Abor and Quartey, 2010).

These SMEs potential economic contributions to sustainability might be balanced against overall economic efficiency of SMEs in comparison with larger companies; meaning that SMEs operating in a particular community must be internationally competitive in order to make significant contributions to sustainability (Bansal, 2011).

There are definitely numerous advantages in owning a small business, but the challenge for small enterprises owners and managers is to maintain the employees' ongoing interest in sustainability practices and issues (Remmen *et al.*, 2012). Effective communication on a regular basis is essential for reaching the business objectives and integrating sustainable practices into the business environment. Employees must understand how sustainability fits into the business's operations and how to maintain the employees' commitment towards sustainability is the challenge for owners and managers. The sustainability initiatives must be a logical extension of the mission of the business (Remmen *et al.*, 2012).

The highest priority for SME managers is to upgrade the business's marketing, technology and management to meet with the strict competition (Ruffe *et al.*, 2003). Sustainable management is crucial for SME success as Bradley and Cowdery (2002) reported that 90% of SME failures are because of poor management. An SME manager must realize the amount of effort required for sustainable management, and should manage the business accordingly (Bradley and Cowdery, 2002). SME managers usually focus on human resources, inventory, strategic planning and other business operations.

2.7. Ethiopia's MSE Promotion Policy

Ethiopia has launched various bold initiatives and development policies and plans to spur economic growth. Three major development plans have been executed so far, the last one being the ongoing Growth and Transformation Plan (GTP). The common and overarching objective of these development plans has been to ensure broad based economic growth. This is so because broad based economic growth is the main route to poverty reduction through employment generation. The role of small enterprises is indispensable in poverty reduction through employment generation. Cognizant of this, a national small enterprises development strategy was formulated in 1997. Ethiopia's MSE Policy envisages not only reducing poverty in urban areas but also nurturing entrepreneurship and laying the foundation for industrial development. The strategy was revised in 2010/11 with renewed interests and more ambitious targets on employment and number of entrepreneurs and transition to medium size level (Growth and Transformation Plan, GTP I).

2.8. Some Sub-Saharan Countries Experiences on Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises from Empirical Evidences.

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

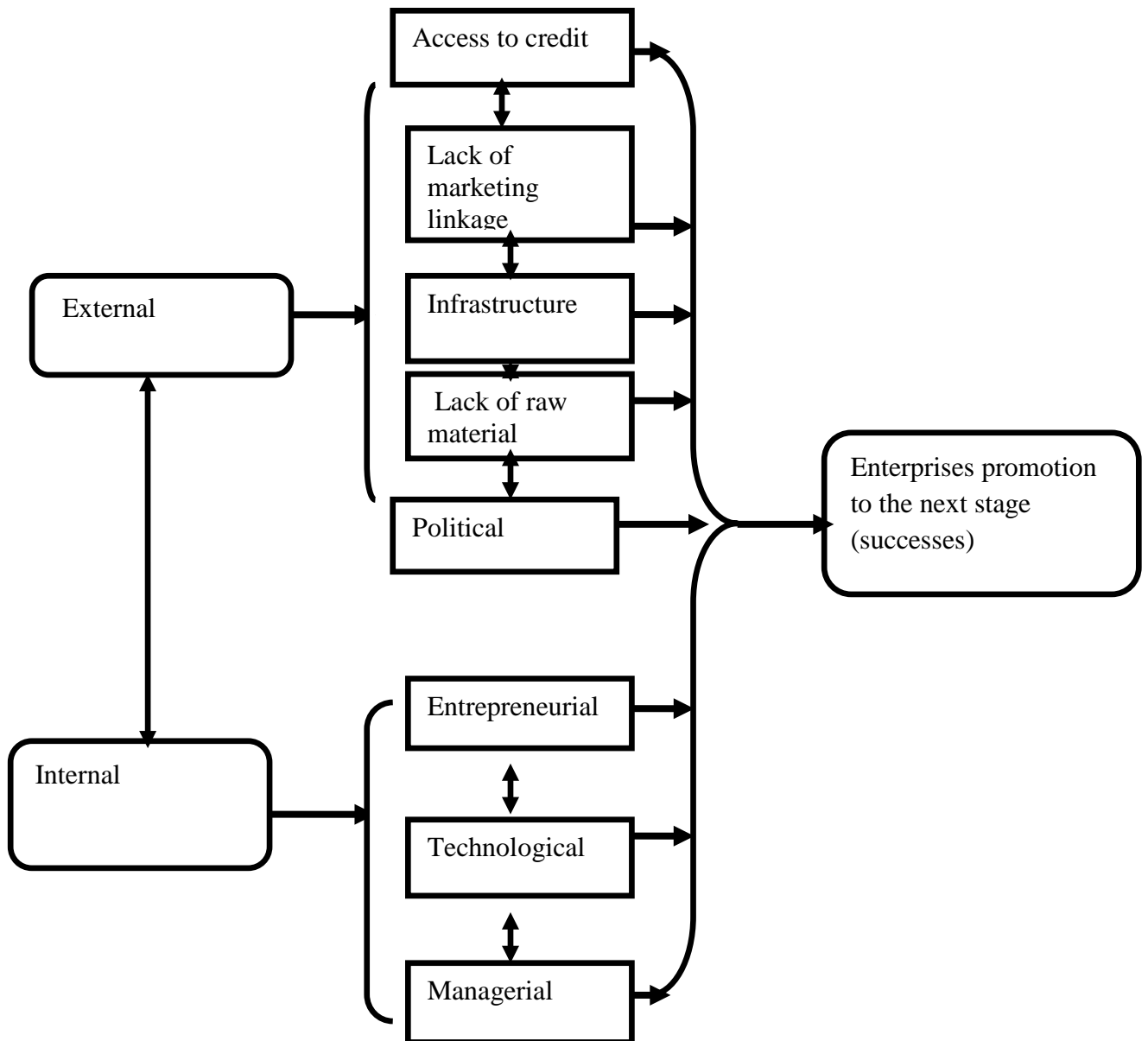
In Nigeria according John O. Okpara (2011), the most common constraints hindering small business growth and survival in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services.

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

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

According to ILO (2004), Women in MSEs of **Tanzania** faced difficulties in obtaining appropriate amounts of funding to finance their growth plans because of collateral requires needed, lack of awareness in joining associations, lack of marketing, information and advisory services, bureaucracy, unfair competition, harassment and corruption by licensing and tax officials, perceived unfair tax levels and tax enforcement procedures.

Figure 2.1:- Conceptual frameworks of Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises (**Source:** - Own Literature Review)



CHAPTER 3

RESEARCH METHODOLOGY

This section discusses on the descriptions of the study area, definition of variable, research approach methods and sampling techniques, data collection method and data analysis techniques.

3.1. Description of Study Area

Dire Dawa is one of the cities in Ethiopia, which have governing role in social, political and economical condition of the country. This city has two levels of government administration such as city and Kebele administration. It has 61 Kebele administration of which 24 Kebeles are found in urban (on the year 2004 organized to 9 Keble), the rest 38 Kebeles in rural area. Dire Dawa is located at 505 KM in the east of Addis Ababa city, geographically lies between 09 28.1 to 09 49.1 latitude north and 41 38.1 to 42 19.1E longitude and 1000-3000 altitude. This city administration is predominantly low land and has a mean monthly temperature of 24.8⁰ c. The average elevation is about 1500-2000 meter above sea level and the average annual rain fall is about 623 mm, area and density 1558.61 areas in squ.km.

According to DDASA 2013 and CSA (2011), the total population of Dire Dawa 341 thousand, among this each urban and rural population comprise of 67.93% and 32.07% respectively. Among these gender distribution of males and females are 171,461 (50.15%) and 170,373 (49.85%) respectively. This census reports stated that the annual grows of population at the rate of 2.5% in the city.

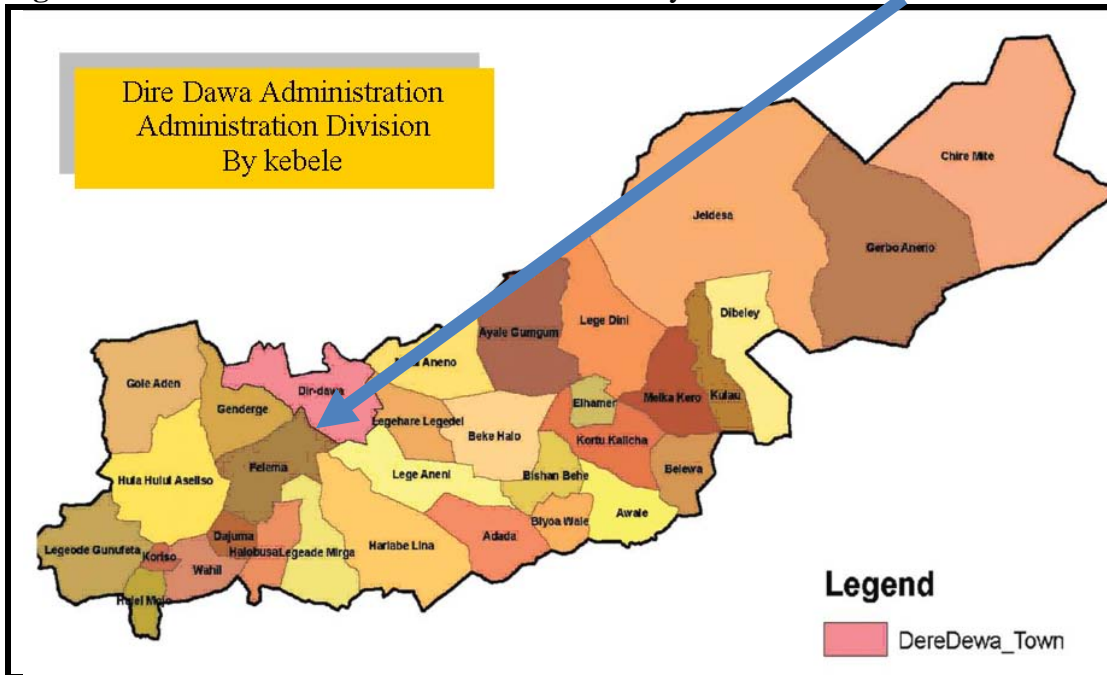
This administration is still commercial and industrial center in the country. Since, it found strategic location and relatively better transportation. Network, additionally; it is being industrial and commercial town due to its nearest location to Djibouti and relatively well-developed infrastructure. It has trade as the main economic sector that contributes to economic of the city.

In Dire Dawa, several people have been engaged in MSEs to generate income for them and their family and to alleviate poverty. (DDMSEDA performance review report 2016) indicates there are 91 large and medium scale, 1750 small scale and 3729 cottage/handcraft manufacturing industries in the city. According to this report large and medium, small scale and cottage/handcraft manufacturing industries formal and informal employed on five years 98,942 persons.

Figure 3.1:- Map of Ethiopia by Regional



Figure 3.2:- Dire Dawa Administrations Division by Kebele **THE STUDY AREA**



Source: - Land and Development Management Bureau

3.2. Research Design

Saunders *et al.* (2007), defines research design as the general plan of how the research questions would be answered. It is the conceptual structure within which research is conducted. It constitutes a blue print for the collection, measurement, and analysis of data. The research design for this study was the field survey method. In field surveys, independent and dependent variables are measured at the same point in time using questionnaire (Anol, 2012). In addition the study was also Co relational in design because there was intended to establish the relationship between dependent and independent variable of the study. Co relational research aims to ascertain if there is a significant association between two variables (Reid, 1987).

3.3. Definition of Operational Variables

Promotion of Enterprises: - A promotion occurs when an enterprise is moved from one level to another stage that is higher in profit, job creation of others, increase responsibility, and/or organizational level. Using appropriate measurements and utilization of the government supports. Such as: - profit, job creation of others, technology transfer, quality. This is a dummy variable, promotion status of the enterprise which takes a value 1 promoted to the next stage and 0 not promoted to the next stage.

Financing: - Financing is one of the crucial elements that determine the development of small enterprise and necessary to help them to set up and expand their operations, develop new products, and invest in new staff or production facilities. There exist a positive relationship between the enterprise promotion the next stage and its access to finance. In this study, it is considered as continuous variable taking a value of 1 if finance affected the enterprise the next stage and 0 otherwise.

Marketing: - Marketing skills has been considered as one of the most effective factor to firm survival and growth. The management process through which goods and services move from concept to the customer. This is a dummy variable, which takes a value 1 if market affected the enterprise the next stage and 0 otherwise.

Infrastructure: - Relatively permanent and foundational capital investment of a country, firm, or project that underlies and makes possible all its economic activity. It includes administrative, telecommunications, transportation, utilities, and waste removal and processing facilities. Some definitions also include education, health care, research and development, and training facilities. In this study it is considered as dummy variable, 1 if infrastructure affected the enterprise the next stage; 0 otherwise

Political: - Government actions which affects the operations of a company or business. These actions may be on local, regional, national or international level. Business owners and managers pay close attention to the political environment to gauge how government actions will affect their company. In this study it is considered as dummy variable, 1 if political affected the enterprise the next stage; 0 otherwise.

Entrepreneurial: - Entrepreneurs are the prime movers in the business or social sectors. Without entrepreneurs, there would be no business or social development. They are the ones who identify gaps in the market and then turn these gaps into business opportunities. In this study, it is considered as categorical variable taking a value of 1 if entrepreneurial affected the enterprise the next stage and 0 otherwise.

Technological: - The purposeful application of information in the design, production, and utilization of goods and services, and in the organization of human activities. In this study, it is considered as dummy variable taking a value of 1 if technological affected the enterprise the next stage and 0 otherwise.

Raw materials: - Basic substance in its natural, modified, or semi-processed state, used as an input to a production process for subsequent modification or transformation into a finished good. In this study, it is considered as dummy variable taking a value of 1 if raw materials affected the enterprise the next stage and 0 otherwise.

Management: - Several studies have considered the management capacities of the top management team as key factors for small business growth. This is a dummy variable, which takes a value 1 if management affected the enterprise the next stage and 0 otherwise.

Cooperatives: - association of at least 10 individuals who are from the same area.

Enterprise: - It refers to a unit of economic organization or activity whether public or private engaged into the manufacturing of goods and service.

Factors: - A constituent or element that brings about certain effects or results, or indicates a specific multiple, number, or quantity.

Respondent: respondents are those individuals who are owner managers or operators of an enterprise.

Sustainable support Services: - It is facility and provision of services which includes, facilitating and provision of financial services, premises services, trainings services. Creation of marketing linkage, provision of business development service, organizing

permanent forum for small scale enterprises, others like licensing, organizing renewal of license and tax identification (in number) registration (FeMSEDA, 2011).

Variables	Variable type and definition
Promotion	Dummy, promotion status of the enterprise: 1= promoted to the next stage; 0= not promoted to the next stage.
Financing	Continuous, financing status of the enterprise: 1= finance affected the enterprise the next stage; 0= not finance affected the enterprise the next stage.
Marketing	Dummy, marketing status of the enterprise: 1= marketing affected the enterprise the next stage; 0= not marketing affected the enterprise the next stage.
Infrastructure	Dummy, infrastructure status of the enterprise: 1= infrastructure affected the enterprise the next stage; 0= not infrastructure affected the enterprise the next stage.
Political	Dummy, Political status of the enterprise: 1= Political affected the enterprise the next stage; 0= not Political affected the enterprise the next stage.
Entrepreneurial	Categorical, Entrepreneurial status of the enterprise: 1= entrepreneurial affected the enterprise the next stage; 0= not Entrepreneurial affected the enterprise the next stage.
Technological	Dummy, technological status of the enterprise: 1= technological affected the enterprise the next stage; 0= not technological affected the enterprise the next stage.
Raw materials	Dummy, raw materials status of the enterprise: 1= raw materials affected the enterprise the next stage; 0= not raw materials affected the enterprise the next stage.
Management	Dummy, Management status of the enterprise: 1= Management affected the enterprise the next stage; 0= not Management affected the enterprise the next stage.

3.4. Description of Population and Sampling Method

3.4.1. Target population

All the items under consideration in any field of inquiry constitute a population. Sekeran (2001) defines a population as “the entire group of people, events, or thing of interest that the researcher wishes to investigate”. The target population for the study consisted of 300 small enterprises owners’ in Dire Dawa area. Quite often; it selected only a few items from the population for the study purposes.

3.4.2. Sampling frame

The sampling frame can be defined as set of source materials from which the sample is selected. The definition also encompasses the purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be includes in the survey (Anthony, 2003).

Table 3.2:- Sample Frame

Sample unit	Sample technique	Total population	Sample size	Methodology to be used
MSEs Agency manager and process owner	purposive	2	1	Interview
Trade and Industry Bureau manager and Process owner	purposive	2	1	Interview
Dire Micro Finance agency	purposive	1	1	Interview
TVET director and expert	purposive	3	1	Interview
TVET college vice dean	purposive	2	2	Interview
Small enterprises	probability	300	171	Questionnaire
Total sample size		305	175	

3.4.3. Sampling technique

Stratified random samplings used to get information from five different sizes of the small enterprises sectors such as manufacturing, construction, service, sales trade, and urban agriculture. This technique preferred to assist in minimizing bias when dealing with the population. The sampling frame can be organized into relatively homogeneous groups before selecting elements for the sample. According to Janet (2006), this step increases the probability that the final sample will be representative in terms of the stratified groups.

3.4.4. Sampling size

According to Catherine (2009), the correct sample size in a study is dependent on the nature of the population and the purpose of the study. Although there are no general rules, the sample size usually depends on the population to be sampled. In this study to select sample size, a list of the population formally 300 small enterprises that were engaged in manufacturing, construction, service, sales trade, and urban agriculture and those currently run their business activity. The total population of the study is 300 enterprises which includes manufacturing (91), construction (81), service (76), sales trade (21), and urban agriculture (31). The selected sample size was considered as representative of manufacturing, construction, service, sales trade, and urban agriculture also large enough to allow for precision, confidence and general liability of the research findings. To determine the sample size and representative of the target population, the study was used statistical instrument formula. The following formula used for the calculation of the sample size since it is relevant to studies where a probability sampling method is used (Watson, 2001). The sample size of study was computed as follows.

$$n = \left[\frac{p[1-p]}{\frac{A^2 + \frac{p[1-p]}{N}}{Z^2}} \right]$$

Where, n = sample size required = 171

N = number of population = 300

P = estimated variance in the population = 50%

A = margin of error = 5%

Z = confidence level = 1.96 for 95% confidence

R = estimated response rate = 96%

The proportional stratified sampling for each stratum will be determined by $n/N = 171/300 = 0.5700$ which means that 57% of each strata's as calculated in the table.

Table 3.1:- proportional stratified sample

Stratum	Number of SE	Sample size n/N= 0.57
Manufacturing	91	52
Construction	81	46
Service	76	43
Sales trade	21	12
Urban agriculture	31	18
Total	300	171

Regarding selection of small enterprises is that, these enterprises have more economic potential to transfer in to medium scale enterprises. Due to this, the researcher preferred small enterprises as target group for this study and considering one respondent from each enterprise.

3.5. Method of Data Collection

The study employed data collected from both primary and secondary sources. A primary source in order to realize the target, the study was well-designed questionnaire as best instrument. These were completed by the owner managers/or operators of the enterprises. The interview method of data collection is preferred due to its high response rate. It gives the ten people concerned an opportunity to interact and get details on the questions and answers. Through interviews, clarification of issues was easily achievable leading to accuracy of data from the respondents.

Secondary data from files, office manuals, circulars and policy papers were used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents, websites, reports and newsletters were reviewed to make the study fruitful.

3.6. Research Instrument

3.6.1. Questionnaire design

The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questions were kept as concise as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire was great importance in any survey where the questionnaire is to be completed by the respondent (John A. *et al.*, 2007).

The structured questionnaires in five point Likert scale such as 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree which allows respondents to indicate level of agreement with the statement provided for small enterprises were designed and administered to gather relevant information for the study. These questionnaires were administered after pilot testing and expertise approval.

3.6.2. Interview

Structured interview guide were designed, and Dire Dawa Micro and Small Enterprises Development Agency managers and process owner, one trade and industry bureau managers and process owners, one micro finance office head and one TVET agency director and two TVET college vice dean were purposely selected and interviewed about factor that affecting the promotion of small scale enterprises in to medium scale enterprises, the interviewer has used a check list for interview to ensure that all the questions were to asked.

3.7. Method of Data Analysis

Data processing and analysis are important parts of the research work. After data were collected, they have to be processed and analyzed. The collected data were edited in order to identify errors and omissions and correct them when needed. After that the edited data were coded and classified. All these activities were carried out to make the data as easily calculated for analysis and make meaningful analyzed based on SPSS Version.20 technique. Descriptive analysis was used for the demographics part of respondents and interview questions were analyzed using descriptive narrations. Thus, statistical tools of inferential analysis like the Pearson product moment correlation

coefficient were utilized to determine the result of the sample population so as to examine the effect of the external and internal factors on small enterprise promotion.

3.7.1. Model specification

Model specification can be defined as the exercise of formally stating a model i.e. the explicit translation of theory into mathematical equations and involves using all the available relevant theory research and information and developing a theoretical model.

Regress and which has more than two outcomes in the form of Likert scale questions are importantly regressed through inferential analysis. According to Sekaran (2000), inferential statistics allows to infer from the data through analysis the relationship between two or more variables and how several independent variables might explain the variance in a dependent variable. The following inferential statistical methods were used in this study.

The Pearson Product Moment Correlation Coefficient (PPMCC) according to Phyllis, *et al* (2007), inferences have a very important in management research. This is so because conclusions are normally established on the bases of results. Such generalizations were therefore, be made for the population from the samples. They speculate that the Pearson Product Moment Correlation Coefficient is a widely used statistical method for obtaining an index of the relationships between two variables when the relationships between the variables is linear and when the two variables correlation are continuous. To ascertain whether a statistically significant relationship exists between accesses to finance, adequate market, rules, regulation and procedures, raw materials, infrastructure facilities and entrepreneur characteristics, technology capacity with promotion of small scale enterprises in to medium scale enterprises, the Product Moment Correlation Coefficient was used.

According to Duncan and Dennis (2004), correlation coefficient can range from -1 to +1. The value of -1 represents a perfect negative correlation while a value of +1 represents a perfect positive correlation. A value of 0 correlations represents no relationship. The results of correlation coefficient may be interpreted as follows.

Correlation coefficient	Interpretation	
[-1.00 to -0.8]	Strong	} Negative
[-0.8 to -0.6]	Substantial	
[-0.6 to -0.4]	Medium	
[-0.4 to -0.2]	Low	
[0.2 to 0.2]	Very Low	} Positive
[0.2 to 0.4]	Low	
[0.4 to 0.6]	Medium	
[0.6 to 0.8]	Substantial	
[0.8 to 1.00]	Strong	

In this study correlation coefficient were to determine the following independent and dependent relationships; between financial and promotion, between marketing and promotion, between political and promotion, between raw materials and promotion, between infrastructure and promotion, relationship between technology and promotion, between entrepreneur characteristics and promotion and between managerial skills and promotion of small enterprises in to medium enterprises.

A) Econometric model

In this study of factors affecting of promotion small scale enterprises, researchers often use linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like inferential analysis correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey M. *et al.*, 2005). In this study multiple linear regression models was employed. Multiple linear regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores (John A.*et al.*, 2007). They added multiple regression analysis, which means more than one predictor is jointly regressed against the criterion variable. This method is used to determine if the independent variables will explain the variance in dependent variable. In other words, among a number of factors, which have been related to promotion of SEs, in this study, the following independent factors are financial, marketing, political, raw materials, and infrastructure, technology, managerial and entrepreneurial factors to explain the dependent variable.

The equation of multiple linear regressions on this study was generally built around two sets of variables, namely dependent variable (promotion) and independent variables (finance, marketing, political, material, infrastructure, technology, management skills and entrepreneurial). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

Multiple Linear Regression Promotion on selected Variables

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \epsilon_i$$

Where:- Y_i is the response or dependent variable- promotion; X_1 = finance, X_2 = marketing, X_3 = infrastructure, X_4 = political, X_5 = material, X_6 = entrepreneurial, X_7 = technology and X_8 = management are the explanatory variables and ϵ_i is the error term of the regression equation. β_0 is the intercept term- constant which would be equal to the mean if all slope coefficients are 0. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7,$ and β_8 are the coefficients associated with each independent variable which measures the change in the mean value of Y.

Accordingly, this statistical technique was used to explain the following relationships. Regress promotion (as dependent variable) on the selected linear combination of the independent variables using multiple linear regressions models.

B) Multicollinearity test

Multicollinearity As we are producing multiple regression models, we need to be aware of certain features of the multicollinearity. That means, when two or more independent variables are highly correlated with each other this is known as multicollinearity. The existence of multicollinearity might cause the estimated regression coefficients to have the wrong signs and smaller t-ratios that might lead to wrong conclusions.

There are two measures that are often suggested to test the presence of multicollinearity. These are: Variance Inflation Factor (VIF) for association among the continuous explanatory variables and contingency coefficients for independent variables. The technique of variance inflation factor (VIF) was employed to detect the problem of multicollinearity among the continuous variables. According to Gujarati (2003), VIF can be defined as:

$$\text{VIF}(x_i) = 1/(1-R^2)$$

Where, R^2 is the square of multiple correlation coefficients that results when one explanatory variable (x_i) is regressed against all other explanatory variables. The larger the value of VIF the more “troublesome” or collinear the variable X_i is. As a rule of thumb, if the VIF of a variable exceeds 10, there is a multicollinearity problem.

3.8. Validity and Reliability of Measurements

A. Validity

Validity is the degree to which a test measures what it purports to measure (Creswell, 2009). Validity is defined as the accuracy and meaningfulness of the inferences which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. He contends that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested.

A pilot study was conducted to refine the methodology and test instrument such as a questionnaire before administering the final phase. Questionnaires was tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable as recommended by (John A. *et al.*, 2007). Issues raised by respondents are corrected and questionnaires were refined. Besides, proper detection by advisor was also taken to ensure validity of the instruments. Finally, the improved version of the questionnaires were printed, duplicated and dispatched.

The instruments selected can help to show factors affecting promotion of small scale enterprise to medium scale enterprises. It can clearly address how these factors affect the promotion of small enterprises in Dire Dawa City Administration. The relevant data was collected on the factors of the small enterprises that can better indicate the relationship between factors and the promotion of small enterprises. The structured interviews can also validate the measurement. Moreover, to have valid conclusion, inferential statistical model was used to test the relationship between the variables.

B. Reliability of measurements

The reliability of instruments measures the consistency of instruments. (Creswell, 2009) considers the reliability of the instruments as the degree of consistency that the instruments or procedure demonstrates. The reliability of a standardized test is usually expressed as a correlation coefficient, which measures the strength of association between variables. Such coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative reliability and the others shows that there is perfect positive reliability.

In this study, each statement rated on a 5 point Likert response scale which includes strongly agree, agree, neutral, disagree and strongly disagree. Based on this an internal consistency reliability test was conducted in with a sample of 21 small size enterprises and the Cronbach's alpha coefficient for the instrument was found as 0.802 which is highly reliable. Typically an alpha value of 0.80 or higher is taken as a good indication of reliability, although others suggest that it is acceptable if it is 0.67 or above (Cohen *et al.*, 2007). Since, instruments were developed based on research questions and objectives; it is possible to collect necessary data from respondents. Then, instruments are consistent with the objectives of the study.

3.9. Ethical Consideration

The researcher also assured that the names of respondents would not be revealed in the study. For reasons of ensuring that respondents become anonymous, direct quotations from respondents were merely ascribed to unnamed respondents were used. How a particular participant had responded or behaved (unless, of course, the participant has specifically granted permission) was not reported in the research. Steps were also taken to keep ethical considerations intact.

The researcher also committed to report the research findings in a complete and honest fashion, without misleading others about the nature of the findings. Under no circumstance, the researcher fabricated data to support a particular conclusion.

Finally, the researcher took appropriate measures to ensure the research would cause no physical or psychological harm to research participants. As a general rule, therefore, the study did not raise any ethical concerns.

CHAPTER 4

RESULT AND DISCUSSION

This part is organized in the following manner the first section is about the general information of small enterprises were presented and analyzed. The second section data collected through questionnaires and interviews were analyzed moreover, the results of Pearson's product moment correlation coefficient and regressions were analyzed.

The purpose of this study critically assess the Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises data were collected from owners or managers of small enterprises found in Dire Dawa City.

One hundred seventy one questionnaires were distributed to small enterprises out of which 160 questionnaires were completed and returned successfully which is 94 percent response rate. The questionnaires contained questions that addressed the objectives of the study.

4.1. Demographic Data

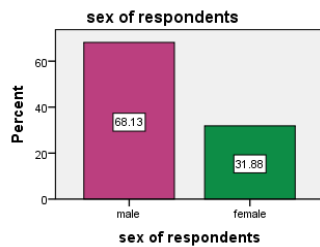
The demographic data expressed statistically such as age, sex, education level, occupation and others. The respondent are provide in this section to give the information a clear picture about the respondent.

4.1.1. Characteristics of business owners

4.1.1.1. Gender of respondent

From the sample that used in the analysis 68.1 percent of the business owners were male and 31.9 percent were female. Apparently, there is gender gap resulted due to the predominant activities promoted by men and due to different constraints women have less involvement in such sectors.

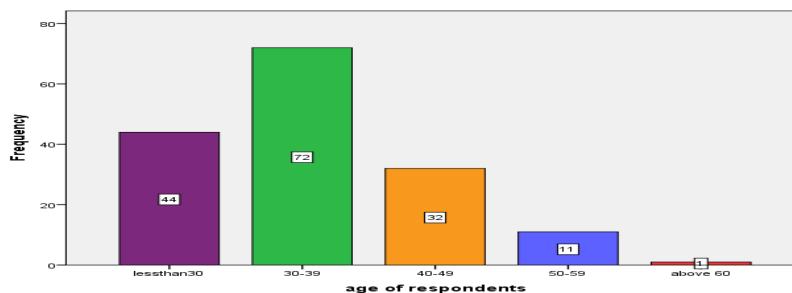
Grahp 4.1.:- Sex of respondents



4.1.1.2. Age of respondent

45 percent of the respondents were found between the ages 30 to 39 years, 27.5 percent of the respondent the age less than 30. The rests were 20 percent, 6.9 percent and 6 percent are between 40 to 49 years, 50 to 59 years and above 60 years old respectively. This indicates most of the respondents' and also business owner found the age between 30 to 39 years old.

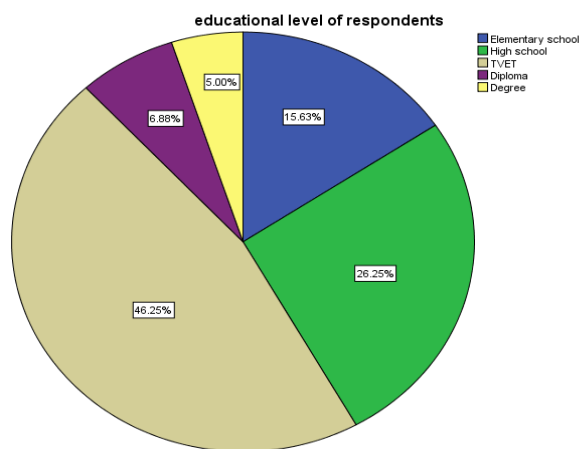
Grahp 4.2.:- Age of respondent



4.1.1.3. Education level

The educational level of respondents at the time of the study show that about 46.3 percent of the respondents were TVET, followed by 26.3 percent of the respondents were high school, 15.6 percent of the respondents were elementary school and 6.9 percent and 5.0 percent were degree and diploma respectively. This indicates most of the respondents small scale enterprises owners had educational back- ground TVET, on the other hand higher education graduate person enter in to small scale enterprise this shows change of behaviors and accept the sectors.

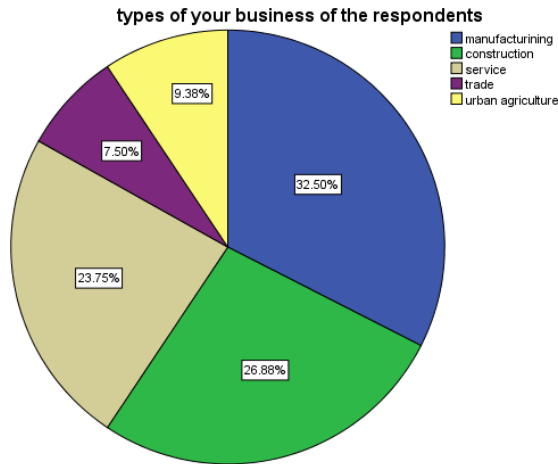
Grahp 4.3. : - Education level



4.1.1.4. Business type

The enterprises were operating in five sectors of the economy. Most of them are engaged in manufacturing 32.5 percent, in construction 26.9 percent, in service 23.8 percent, in urban agriculture 9.4 percent and in trade 7.5 percent. This division of small enterprises by sector type was believed to be help full to study each sector critical performance of small scale enterprises and its implication for promotion to medium scale enterprises. This is because firms in different sectors of the economy face different types of problems. That means the degree of those critical factors differ from the factors that are critical to the other section.

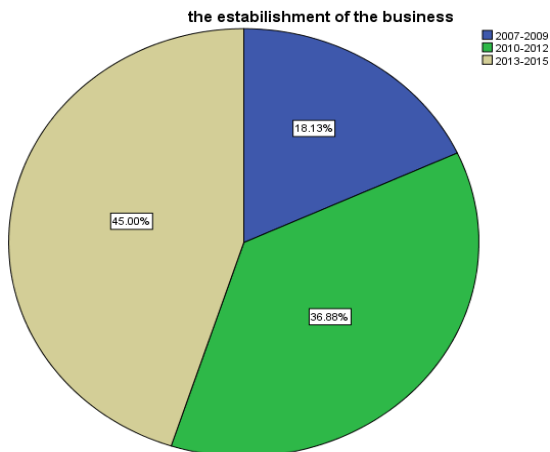
Grahp 4. 4.- Business type



4.1.1.5 The establishment of the business

The establishment of the business 45 percent were enterprises established between 2013to 2015 years, followed by 36.9 percent were 2010 to 2012 and 18.1 percent were established between 2007 to 2009 years. This indicates that most of them established between 2013 to 2015 years. This refers to that the businesses have been around long enough to understand the issues.

Grahp 4. 5.- Establishment of the business



4.2. Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises

4.2.1. Inferential statistics results

The results of inferential statistics are presented. For the purpose of assessing the objectives of the study, Pearson's product moment correlation coefficient and multiple linear regression analyzes 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 hypothesis.

4.2.1.1. Pearson's product moment correlation coefficient

Pearson's product moment correlation coefficient was used to determine whether there is significant relationship between financial factors, marketing factors, political factors, raw materials factors, infrastructural factors, technological factors, management's factors and entrepreneurial factors variable with promotion. 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 promotion and its independent variables are linear and positive ranging from substantial to strong correlation coefficients.

Table 4.1.- The relationship between independent variables and promotion

Independent	Pearson Correlation	Promotion
Financial	Pearson Correlation	0.731
	Sig. (2-tailed)	0.000
	N	160
Marketing	Pearson Correlation	0.840
	Sig. (2-tailed)	0.000
	N	160
Infrastructural	Pearson Correlation	0.695
	Sig. (2-tailed)	0.808
	N	160
Political	Pearson Correlation	0.808
	Sig. (2-tailed)	0.000
	N	160
Raw material	Pearson Correlation	0.786
	Sig. (2-tailed)	0.000
	N	160
Entrepreneurial	Pearson Correlation	0.641
	Sig. (2-tailed)	0.000
	N	160
Technological	Pearson Correlation	0.691
	Sig. (2-tailed)	0.000
	N	160
Management	Pearson Correlation	0.700
	Sig. (2-tailed)	0.000
	N	160

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

As it is clearly indicated in the above Table 4.1, a strong positive relationship was found between marketing factor and promotion ($r = 0.840$, $p < .01$), and political factor and promotion ($r = 0.808$, $p < .01$), which are statistically significant at 99% confidence level. This implies that at a 1% level of significance it was discovered that marketing and political factors play significant role in determining the promotion of small scale enterprises in Dire Dawa City.

Moreover, the table presents the association between the selected variables and promotion of small scale enterprises for a sample of 160 small scale enterprises in Dire Dawa City. There is substantial, however statistically significant relationship between raw materials factors and promotion ($r = 0.786$, $p < .01$). This would imply that, the more raw materials the better promotion of SEs would be. The result on table above further indicates that, there is a substantial positive correlation between financial and promotion

($r = 0.731$, $p < 0.01$), which is statistically significant at 99% confidence level. This implies that SEs with financial performed considerably better. There are positive relationship between management factors and promotion ($r = 0.700$, $p < 0.01$), infrastructural factors and promotion ($r = 0.695$, $p < 0.01$), and technological factors and promotion ($r = 0.691$, $p < 0.01$), and entrepreneurial factor and promotion of small scale enterprises ($r = 0.637$, $p < 0.01$), which is statistically significant at 99% confidence level.

4.2.1.2. Multiple linear regressions analysis

The multiple linear regression analysis was used to examine two sets of variables, namely dependent variable (promotion) and independent variables (finance, marketing, political, material, infrastructure, technology, management skills and entrepreneurial). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables.

Multiple Linear Regression promotion (as dependent variable) on the selected variables (as independent variables) using multiple regressions.

Table 4.2:- Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1	0.904 ^a	0.817	0.807	0.21413	0.000

a) Predictors: (constant), financial factor, marketing factor, infrastructural factor, political factor, raw materials factor, entrepreneurial factor, technological factor, management factor.

The table 4.2 revealed that, the correlation between the observed value of promotion and the optimal linear combination of the independent variables (finance, marketing, infrastructures, political, raw material, entrepreneurial, technological, and management) is 0.904, as indicated by multiple R. Besides, given the R Square value of 0.817 and adjusted R square value of 0.807, it may be realized that 81.7% of the variation in promotion can be explained by the independent variables. The remaining 18.3 % of the variance is explained by other variables not included in this study.

Table 4.3.: - Model summary

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.885	8	3.861	85.092	0.000 ^b
Residual	6.851	151	0.045		
Total	37.736	159			

a) Dependent variable: Promotion

b) Predictors: (constant), financial factor, marketing factor, infrastructural factor, political factor, raw materials factor, entrepreneurial factor, technological factor, management factor.

The overall prediction of the model was found to be significant at 1% as indicated and with F-value of 85.092. Even though the model is significant and the regression power of the model is relatively high independent variables that affect promotion of the next stage.

Table 4.4.:- Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Variables	B	Std. Error	Beta		
(Constant)	0.530	0.107		9.186	0.000
Financial	0.301	0.039	0.402	5.800	0.000
Marketing	0.214	0.071	0.264	4.729	0.000
Infrastructural	0.175	0.045	0.295	3.865	0.000
Political	0.395	0.065	0.413	4.594	0.000
Raw materials	0.189	0.078	0.076	2.415	0.017
Entrepreneurial	0.184	0.045	0.227	3.386	0.001
Technological	0.329	0.053	0.313	3.870	0.000
Management	0.217	0.069	0.348	3.129	0.006

P < .01

a) Dependent variable: Promotion

b) Predictors: (constant), financial factor, marketing factor, infrastructural factor, political factor, raw materials factor, entrepreneurial factor, technological factor, management factor.

Table 4.4 further shows that, all the explanatory variables included in this study significantly explain at 99% confidence level to the variation on the dependent variable. The standardized beta coefficient column shows the contribution that an individual variable makes to the model. The beta weight is the average amount the dependent variable increases when the independent variable increases by one standard deviation (all other independent variables are held constant). As these are standardized we can compare them. Thus,

Finance factors: finance factors are also statistically significant at 1% level and enterprises which have access to finance promote better than those which have no access to finance or credit. For various reasons ranging from a lack of collateral to bias against small enterprises, Small enterprises tend to face greater financial constraints than do larger enterprises. The highest influence on the promotion of small scale enterprises is from the independent variables financial factors is 0.402. Small enterprises which have access to credit promote better than those which have shortage of capital or credit and solving this problem leads to solution of promote.

Market factors: market factors are statistically significant at 1% significant level. The influence on the promotion of small scale enterprises is from the independent variables marketing factors is 0.264. Thus, enterprises with access to market have promote significantly but, enterprises with market problem or limited access to market have less chance of promote or their potential is likely to decrease. Marketing problems include inadequacy of market, difficulty of searching new market, lack of demand forecasting, lack of market information and absence of relationship with an organization/association that conduct marketing research.

Infrastructural factors: Infrastructural factors are statistically significant at 1% significant level. The influence on the promotion of small scale enterprises is from the independent variables infrastructure is 0.295. Thus, small enterprises with access to infrastructure have promoted significantly but, small enterprises with infrastructure problem have less chance of promote to medium enterprises. Infrastructures include power interruptions, insufficient and interrupted water supply, lack of business development services and lack of sufficient and quick transportation service.

Political factors: political factors are also statistically significant at 1% level and the highest influence on the promotion of small scale enterprises is from the independent variables political factor indicate 0.413. Small enterprises which have access to political support promote better than those which have no access. For different reasons small enterprises face or challenge to promote the next stage. The political factors such as, lack of government support, lack of access to information on government regulations those are relevant to business, high tax levied, unclear evaluation criteria of promotion and lack of participation in criteria development.

Raw materials factors are statistically role play. Raw material factors with the beta value of 0.076 the least predictor of promotion when compared with the other explanatory variables. This would imply that, the more access raw materials the better promotion of small enterprises than others. Small enterprises with raw materials factors have no more chance of promote to next stage in the case of raw materials problems. So raw materials include insufficient supplies, shortage of quality raw material, insufficient competent suppliers or vendor and fluctuation of raw materials prices.

Entrepreneurial factors are statistically significant at 1% significant level. The high influence on the promotion of small scale enterprises is from the independent variables entrepreneurial factors is 0.227. Small enterprises which have access to entrepreneurial promote better than those which have no access to entrepreneurial capability of small enterprises with access to entrepreneurial. Entrepreneurial play significant role in determining the promotion of small scale enterprises But, small enterprises have promoted significantly with entrepreneurial problem have less chance of promote to medium enterprises. It includes lack of innovation and creativity, lack of tolerance to lack of persistence and courage to take responsibility for ones failure work hard, lack of confidence , lack of setting goal and objective, lack of motivation and drive and lack of information to exploit business opportunities.

Technological factors are statistically significant at 1% significant level. The highly influence on the promotion of small scale enterprises is from the independent variables technological factors is 0.313. Thus, enterprises with access to technological have promoted significantly but, enterprises have technological problem to promote the next

stage or their potential is likely to decrease. Technological problems may include lack of appropriate machinery and equipment, lack of money to acquire new technology, unable to select proper technology, ineffective cooperation with technical and vocational college and lack of skills to handle new technology.

Management is statistically role play. The highly influence on the promotion of small scale enterprises is from the independents variables management factor is 0.348. This would imply that, the more access management the better promotion of small enterprises than others. Small enterprises have management problem no more chance of promote to next stage in the case of management problems. These problems may include Lack of clear division of duties and responsibility among employees, Poor and ineffective communication, Lack of strategic business planning, Lack of well trained and experienced employees and Shortage of accessible training facilities.

The above Table 4.4 displays the estimates of the multiple regression of performance against its variables for the sample of 160 small scale enterprises. The hypothesis which states that the business environments of Dire Dawa designed at small scale enterprises development do not affect the promotion of small scale enterprises to medium scale enterprises in the selected of Dire Dawa City is tested at 1% level of significance, it was discovered that the business environments of Dire Dawa designed at small scale enterprises development do play a significant role in determining the promotion of small scale enterprises in to medium scale enterprises. Thus, the null hypothesis therefore, be rejected and it is accepted that, the business environments of Dire Dawa designed at small scale enterprises development do affect the promotion of SEs in Dire Dawa City. The unstandardized coefficients B column, gives us the coefficients of the independent variables in the regression equation including all the predictor variables as indicated below.

$$Y_i = 0.530 + 0.301X_1 + 0.214X_2 + 0.175X_3 + 0.395X_4 + 0.189X_5 + 0.184X_6 + 0.329X_7 + 0.217X_8$$

Multicollinearity

For this study the researcher was checked this assumption with tolerance and VIF statistics. Andy (2006) suggests that a tolerance value less than 0.1 almost certainly indicates a serious colinearity problem. Liu (2010) also suggests that a VIF value greater than 10 because for concern and in these research data the values are below 10 for all predictors. It seems from these values that there is not an issue of co linearity between the predictor variables. This means that the derived model is likely to be unchanged by small changes in the measured variables. In another word, these values give us some idea as to how accurate our regression model is. There for, no concerned with biasing effect of multicollinearity.

4.3. Analyses for Interview

1) Information analyses about Key informant group

The reason for selecting Micro and Small Enterprise Agency, TVET Agency and Dire Micro Finance organization managers or director, process owner and expertise working together for the long period of time. So it was reliable for the study to get appropriate and recent information in order to answer the specific objective and the research question of the paper.

Analysis of interview result for question on strategic plan regarding promotion of small enterprise, according to one of the key informant who is the micro and small enterprise agency manager, process case team leader, TVET College v. deans and micro finance loan and saving office manager the promoting plan is incorporated on the strategic plan of agency. As the strategic plan indicates within the plan period from the year 2015/16-2019/20 (2008 to 2012 E.C.) the agency plan to perform in order to promote according to GTP II from the total number of enterprises promoting 2% of small scale enterprise to medium scale enterprise. But until now, there are 91 enterprises that were promoted to medium enterprises and large industries in the last 5 years. The main reason for the lack of implementation is lack of commitment on the administrative body. Even if there are enterprises that could be promoted to medium enterprise there is the gap of commitment beside the agency so. It create dependency syndrome on the enterprises and make

difficult the support to give the appropriate enterprise and it was the obstacle on the promotion process.

According to the trade and industry bureau as main vision of city administration which is to make East Ethiopia industry zone the business society expects so many activities from the administration to promote the business scales. But it is the main gap of the government body commitment to promote in each scale. On the other hand, the perception about micro and small enterprise is still very low both the enterprise and the public sector organizations didn't have confidence that today's micro small enterprise can change and will promote in to large scale industries as the result of weak awareness the commitment become low.

According to respondents the indicators that help to promote the enterprise, as of the three organization respondent, says the major indicators are first the number of employee within the businesses .second the amount of capital within the business period, the capacity of creating new job opportunity for other person is important to use as indicator. Additionally, the market share of the enterprise means creating the market link for others promoting their product using different means of communication and participating in bazaar and exhibitions. Production capacity also other indicator, producing export goods or product that substitute imported products and educational back ground of the employee with in the business. Additionally, the criteria to consider appropriate utilization of government support such as, effective utilization of industrial extension services from TVET College and frequent customer from micro finance institutions.

Last but not least one is performing the duty and responsibility what the business expected such as, performing the yearly tax payment within the exact period of time. Performing the yearly registration and renewal of the business license are the indicators that help to promote to the next business level. So, if it does not fulfill the pre requirements or indicators that affect the promotion of small scale enterprise to medium scale enterprises.

The interviewed was asked to describe key external and internal factors affecting promoting small scale enterprises to medium enterprises. Regarding the support given to the enterprises, According to the agency owner processor case team leader , attitude toward the extent the agency create favorable condition, the agency have giving different kinds of support based on the responsibility. The supports such as training, financial facilitation, market linkage, facilitation of production and market place and so on.

Among these supports TVET plan training based on the need of the enterprise were gave widely in different concept which can help the development and promotion of enterprises. Additionally, the financial facilitation was given by the micro finance in each kebeles in order to serve the public effectively. Even if the opinion gained from different enterprise have complain on collateral system of the micro small enterprise it is the only option of collateral as this moment but it may change if we get the best option for the future.

Regarding in creating the market linkage were the big problem and gap have to be focus broadly in the future. Especially like other developed country using the micro and small enterprise development effectively needs to link the micro and small enterprises market to large industry to use their semi processed products as the resource of production. Additionally there is no sufficient production and market place for the business enterprise. The production and market place that had been constructed previously also hadn't given appropriate services because of the location it constructed. So constructing the new market and production place and available to the business society would be grieving the wide focus in order to be effective the promotion process and the development of the enterprise.

The expertise TVET College v. deans and micro finance loan and saving office manager respectively state that the main challenges of the enterprises were lack of sufficient production and market place with appropriate location and weak perception toward the small enterprise development in each level of the public organization make difficult to give sufficient and appropriate support to the enterprises in order to improve their business activities. On the other hand, the enterprises were got satisfactory and appropriate trainings that can help through the business life.

To sum up, as the result disclose from the three organization interviewed all agree that there is different challenges that can the promotion of small scale enterprise to medium scale enterprise among them financial problem, market linkage, lack of production and market place, weak perception toward the public organization to support based on enterprises need are the major external factor affecting of the promotion process.

2) The business enterprise their own challenges and benefit's gained from the business

Analysis of interviews results for question concerning on the business enterprise their internal factors that saw in the enterprise the major is dependency on government rather creating different kinds of work activities on their own. The creativity for the new activities are very less so, it is dangerous indication for the future because the project work may phase out within the specific period of time rather they focus on the other business activities.

Additionally, regarding those enterprise problem to promote enterprises to medium and large scale industry are the very weak perception about the micro and small enterprise development, mostly they perceive as only to solve their daily problem. The other problem is lack of team work which some of the members are doing their work in full time and effort but some of the members don't give their effort elusively. According to micro finance saving and loan department manager, weak saving trend were the major problem of the enterprises. Most of the time they haven't saved whatever amount of money they got from the working activities so, it is difficult to accumulate capital and improve their business activity widely. Effective utilization of government support also their own challenges, most of the time they borrow some amount of money from micro finance institution and then utilize for daily consumption rather than improving their business by making additional investment and also lack of management skill and lack of business plan for their business activities were the major problems and factors affecting promotion.

According to both TVET college vice deans small scale enterprise may not give attention to industry extension program such as kaizen, technology, entrepreneurship skills and management skills' are factors that affecting small scale enterprise promote in to the next stage.

Finally, the result obtained from interviewed is almost the similar with that of result obtained from the quantitative analysis of the questionnaires. The only difference response on the issue of training facility made by the government that discussed by the agency and enterprises respondent.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

This research was conducted in Dire Dawa City Administration with the prime intent of critically assessing Performance of Small Scale Enterprises and Its Implication for Promotion to Medium Scale Enterprises. The research method involved 160 enterprises to come to a better understanding on both internal and external the factors that affect the promotion process, the sample frame was taken from formally registered enterprises by Micro and Small Enterprise Agency. Among the registered enterprises manufacturing, construction, service, trade and urban agriculture were some of the activities they were engaged. The analysis was a descriptive one that were used to demographics part of respondents and the interview questions were analyzed using descriptive narrations and inferential statistics, Pearson's product moment correlation coefficient and using multiple regressions.

The result show that, the respondents' profile indicates male's respondents in small enterprises is 68.1percent compared with 41.9 percent females. The age of most respondents 45 percent fall within the range of 30-39 years. Most of small enterprises respondent educational qualification is in TVET indicating 46.3 percent. Respondent's business type most engaged manufacturing sector 32.5 percent. Establishments of the business's respondents mostly fall between 2013- 2015 indicate 45 percent. This refers to that the businesses have been around long enough to understand the issues.

As the findings marketing factors affecting small enterprises from the findings indicate a strong positive relationship was found between marketing factor and promotion ($r = 0.840$, $p < .01$), and political legal factor and promotion ($r = 0.808$, $p < .01$) which are statistically significant at 99% confidence level. This implies that at 1% level of significance it was discovered that marketing. This indicate that the fact that government sector are support different access to enterprise, they faced with different problem to promote the next level in ability to access market factors and political legal factors were the major problem confronting small enterprises. Thus, since marketing and

political are one of the most activities required by businesses to promote or transfer through satisfying the needs and wants of customers, its constraints on the other hand hinders promote of firms.

The result of study a substantial positive correlation between raw materials factors and promotion ($r = 0.786$, $p < 0.01$), statistically significant relationship between financial and promotion ($r = 0.731$, $p < .01$), a positive relationship between management factors and promotion ($r = 0.700$, $p < 0.01$), Infrastructural factors and promotion ($r = 0.695$, $p < 0.01$), small scale enterprise substantial faced the problem to promote the next level. Material, financial, infrastructures are the most important external factors that hinder the business promotion of sectors.

According to the findings, technological factors and promotion ($r = 0.691$, $p < 0.01$), and Entrepreneurial factor and promotion of small scale enterprises to medium scale enterprises ($r = 0.637$, $p < 0.01$). This indicate that the owners of the business, has lack of commitments, lack of setting goal, lack of successful businesses and knowledge, inappropriate selection of technology are the major constraints. These constraints on the other hand limited promote of small enterprise.

On the other hand, various governmental bodies designed various programs aimed at developing small enterprises sectors. Most of the programs were not given the appropriate backing and as such the impact of the program could not be felt is the promotion of small enterprise. This is mainly because of the facts that these programs are not effectively implemented in line with their intended objectives owing to various reasons.

According to the findings, there is low commitment of some governmental bodies , weak perception towards the development of small enterprises, lack updating the strategic plan regarding the promotion to the next level, lack of strong supporting and controlling mechanism, low coordination and communication specially, the major sector such as Micro Small Enterprises Development Agency, TVET and Micro Finance Institution.

Another the major internal problem in the promotion process identified were management factor which include lack of clear division of duties and responsibility among employees, ineffective communication, lack of well trained and experienced employees, lack of strategic business planning, shortage of accessible training facilities. Technological factors include lack of appropriate machinery and equipment, lack of money to acquire new technology, and ineffective cooperation with TVET College. Lastly, the major entrepreneurial factor such as weak perception about the development of small enterprises, lack of setting goal and objectives, lack of tolerance to work hard and dependency on the government.

In terms of the stated research hypothesis the specific empirical finding, emerged from the investigation that there exists significant positive relationship between independent variable and dependent variable. Moreover, the selected independent variables may significantly explain the variations in the dependent variable in study area.

The result of this study implies that, the study has further identified that the different influences in which each of the factors under study have in different categories of the business. The research clearly illustrates those critical affecting small enterprises considerably all sectors. It has been focused that the external are prevalent to the business such as marketing, political, material and financial factors had very high effects on the promotion of small enterprises compared to the other factors in the research area. This causes for to continue the business activities weak promotion process of the enterprises.

5.2. Recommendations

Based on the conclusions, the following recommendations are forwarded:-

1. The government, private sectors, NGO's should facilitate access to credit for small enterprises, Micro Finance Institution and Banks need to allocate a certain portion of their loan-able funds for small enterprise entrepreneurs. This has to be supported by special lending and repayment arrangements. Thus, in order to address problems of credits, financial institutions, the Federal and Regional Governments and donors can assist by way of the increasing lines of credit and special windows for assisting growth-oriented.
2. The government should cooperate with planners and stakeholders with regard to extension of all-round support and introduce various marketing strategies to ensure rapid development of markets for the produce of small enterprises so that their capacity to create employment and wealth is strengthened.
3. Government should build common basic infrastructural facilities.
4. The government should arrange and give raw materials, equipments, machines and other necessary materials through lease in which small enterprises can cover the payment during the operations to reduce doubt of getting back payments for the borrowed finance. This will help small enterprises for more produce, ensure fair competition.
5. Small enterprises owners should set vision and goals in terms of what is to be accomplished, selection of technology and to improve the productivity.
6. Small enterprises owners/managers should improve internal operations through upgrading their skills, financial system borrowed amount for the intended purposes and able to save money on for future investment and practice ways of gathering customer information for the purpose of satisfying their needs through conducting market research and creating network with other small enterprise ,successful businesses and knowledgeable individuals, because the more businesses know about their customers, the better they can meet their needs. The network with external bodies from supply of raw materials to distribution is suggested because it keeps them from sudden stoppage of production due to limitations of resources and customers.

6. REFERENCES

- Abor, J. & Quartey, P. 2010. Issues in SME development in Ghana and South Africa and Medium sized Enterprises in Ghana and Malawi. Finance and Development Working Paper Series Paper No15. Institute for Development Policy and Management, University OF Manchester, Mancsester.
- Allan Mulengani Katwalo and Fredah G. Mwiti (2009). Competence and Critical Success Factor Development as an Avenue for Achieving Sustainable Micro and Small Enterprises in Africa, Strathmore University, Kenya, Proceedings of the 10th Annual Conference, IAABD.
- Amenu B.. (2005). Characteristics and Determinants of Rural Micro Enterprise: The Case of Konso Special Woreda in South Region of Ethiopia (Unpublished Master's Thesis). Addis Ababa University, Addis Ababa, Ethiopia.
- Amyx, C. (2005). Small Business Challenges – The Perception Problem: Size Doesn't Matter? Washington Business Journal.
- Andualem T. (1997). Small Enterprise and Entrepreneurship Development in Ethiopia: Concepts, Definitions and Major Issues Addis Ababa.
- Andy, F. (2006). Discovering Statistic using SPSS. London: SAGE publication.
- Anol, B. (2012). Social Science Research: Principles, Methods, and Practices. USA: University of South Florida.
- Aremu, Mukaila Ayanda. 2011 Small and Medium Scale Enterprises As A Survival Strategy For Employment Generation In Nigeria Department Of Business Administration, Faculty Of Business And Social Sciences University of Ilorin. Ilorin.
- Australian Bureau of Statistics. 2011. *Australian small business, key statistics*. ISBN 978-1-921916-17-5. ABS Cat. No. 8155.0. Canberra, Australia. Booyens, I. 2011. Are small, medium- and micro-sized enterprises engines of innovation? The reality in South Africa Science and Public Policy, 38(1), 67-78.
- Aylin, A., Garango, P., Cocca, P. & Bititchi, U. (2013) The development of SME managerial practice for effective performance management. Journal of small business and enterprise development. Vol. 20 (1). PP. 2854.
- Ayyagari, M., Beck, T., & Demircuc-Kunt, A. 2007. Small and medium enterprises across the globe. *Small Business Economics*. Doi: 10.1007/s11187-006-9002-5.
- Bansal, P. (2011). Journal of Sustainable Development Vol. 4, No, 1; February Kwara State, Nigeria 200Issn 1913-9063 E-Issn 1913-9071.
- Bradley, D.B. & Cowdery, C. 2002. Small business: Causes of bankruptcy.
- Bhide, A. (1996). The questions every entrepreneur must answer. Harvard Business Review, 74, 120–130.
- Catherine Dawson. 2009. *Introduction to research methods: A practical guide for any one undertaking a research project*, fourth edition, United Kingdom, Books Ltd.
- Central Statistical Authority. 2003. Report on Small Scale Manufacturing Industries Survey, Addis Abeba.
- Ciemleja G., Lace N. The Model of Sustainable Performance of Small and Medium-sized Enterprise. 2011 *Inzinerine Ekonomika-Engineering Economics*, 22(5), 501-509.
- Cohen L., Manion L. and Morrison K. (2007). *Research Methods in Education*, 6th edn. USA, Routledge.

- Dalisto Kayanula and Peter Quartey. 2000, Finance and Development Research Programmer Working Paper Series. University of Manchester.
- Daniel, A., S. 2012. Micro, Small and Medium Scale Enterprises in Ghana: Challenges prospects: A Case Study of Sekondi-Takoradi Metropolis. Unpublished Master's Thesis, Kwame Nkrumah University.
- Dire Dawa Administration Micro and Small Enterprises Development Agency Office. 2016 profile directory.
- Duncan Cramer and Dennis Howitt. 2004. *A Practical Resource for Students in the Social Sciences*. The SAGE Dictionary of Statistics. London, Sage Publications.
- European Commission. 2007, Opportunity and Responsibility – How to help small business to integrate social and environmental issues into what they do, *European commission – Directorate-general for enterprises and industry*.
- Esther K. Ishengoma and Robert Kappel (2008). Business Constraints and Growth Potential of Micro and Small Manufacturing Enterprises in Uganda. GIGA Research Programme: Transformation in the Process of Globalisation GIGA German Institute of Global and Area Studies, universities of Hamburg and .N^o 78.
- Federal Democratic Republic of Ethiopia, Growth and Transformation Plan II. 2015/16019/20:148
- Geoffrey Marczyk, David DeMatteo and David Festinger. (2005). *Essentials of Research Design and Methodology*. Canada, John Wiley & Sons, Inc
- Getnet Ambachew Tamrat and Mulugeta Negash. 2012. Determinants of Micro & Small Enterprises Transformation: From Micro and Small Scale to Medium level industry.
- Gurmeet Singh and Rakesh Belwal (2008). Entrepreneurship and SMEs in Ethiopia, Evaluating the Role, Prospects and Problems Faced by Women in this Emergent Sector, *Gender in Management: An International Journal* Vol. 23 No. 2, pp. 120-136.
- ILO, Geneva .2002 Small Scale Production, Strategies for Industrial Restructuring. Intermediate Industrial Restructuring Intermediate Technology Publications, London.
- ILO Seed Program & African Development Bank (2004). Supporting Growth-Oriented Women Entrepreneurs in Ethiopia, Kenya & Tanzania: An Overview Report of Small Business in Small Towns of Eastern Amhara Region: Nature and Economic Performance, *Journal of Economics*, 14(1), July 2004.
- Ishengoma, K. & Kappel, R. 2006 Economic growth and poverty: does formalization.
- John Adams, Hafiz T.A. Khan, Robert Raeside and David White. 2007. *Research Methods for Graduate Business & Social Science Students*. California, Sage.
- Kayanula, D. & Quartey, P. 2000. The Policy Environment For Promoting Small And Medium –Sized Enterprises In Ghana And Malawi. Paper no. 15. Institute of Development Policy And Management, university of Manchester.
- John O. Okpara (2011). Factors Constraining the Growth and Survival of SMEs in Nigeria, *Implications for Poverty Alleviation, Management Research Review*.
- Lee, J. (2001), "Education for technology readiness: Prospects for developing countries", *Journal of Human Development*, 2(1), 115–151.

- Liu, x. (2010). Ordinal Regression Analysis: Fitting the continuation Ratio Model to Educational Data. North eastern Educational Research Association Annual conference (pp. 12-16). NERA.
- MoFED.2010. Growth and Transformation Plan 2010/11-2014/2015, Addis Abeba, Ethiopia.
- Major L. Clark and Radwan N. Saade. 2010:2-19. The Role of Small Business in Economic Development of the United States: From the end of the Korean War 1953 to the present, a working paper, office of Advocacy, U.S. Small Business Administration.
- Mizan T HelmsingA, H, J. and Kolstee T. 1993. Small Scale Enterprises and Changing Policies epi University, MizanTeferi, Ethiopia.
- Morse, E.A., Fowler, S.W., and Lawrence, T.B.(2007), “The impact of virtual embedness on new venture survival: Overcoming the liabilities of newness”, *Entrepreneurship Theory & Practice*, 139-159.
- Nuno Santos (2003). Financing Sall, Medium and Micro Enterprises in Post-Conflict Situations Microfinance opportunities in the Democratic Republic of the Congo, Kinshasa.
- Nurul Indarti Marja Langenberg (2005). Factors Affecting Business Success Among SMEs: Empirical Evidences from Indonesia *International Journal of Social Economics*, Gadjah Mada University,24(12), 1470-1480.
- Okpara, J.O. & Wynn, P. (2007). Determinants of Small Business Growth Constraints in sub-Saharan African economy, *SAM Advanced Management Journal*, Vol. 72 No. 2, pp. 24-35.
- Olawale, F.,&Garwe,D.(2010). Obstacles to the growth of new SMEs in South Africa: A principle component analysis approach. *African journal f business and management*. Vol. 4 (5). PP 729-738.
- Reid, S. (1987). *Working with statistics: An introduction to quantitative methods for Social scientists*. London: Polity.
- Pandya, V. (2012). Comparative analysis of development of SMEs in developed and developing countries. The 2012 International Conference on Business and Management: 6 - 7 September 2012, Phuket - Thailand.
- Pasanen, M. (2007). SME growth strategies: organic or non-organic? *J. Enterprising Culture*, 15(317). DOI: 10.1142/S0218495807000174. Department of Business and Management, University of Kuopio, Finland.
- Perry R. Hinton, Charlotte Brownlow, Isabella McMurray & Bob Cozens. (2004). *SPSS Explained*. Landon and New York: Taylor & Francis Group, Routledge Inc.
- Piper, P.1997. The Performance Determinants Small and Medium – Sized Manufacturing Firm. University of South Caroline. Available At [AHhttp://Uncatad.Org/en/docs/poiteteb d5. en.Pdf](http://Uncatad.Org/en/docs/poiteteb d5. en.Pdf).
- Publication of the United Nations Environment Programme Division of Technology, Industry and Economics. *Industry and Environment*, 26(4), 1-52.
- Phyllis Tharenou, Ross Donohue, Brian Cooper. 2007. *Management Research Methods*. New York, Cambridge University Press
- Rainville, P. 2012. SMEs set their sights on sustainability. Case studies of small and medium-sized enterprises (SMEs) from the UK, US and Canada.
- Remmen. A., Jensen, A.A. &Frydendal, J. 2012. Life cycle management. A

- businessguide to sustainability. United Nations Environment Programme.
- Ruffe, F., Brite, R., Smith, J. & Stanley, T. 2003. Big challenge for small business: Sustainability and SMEs. A publication of the United Nations Environment Programme Division of Technology, Industry and Economics. *Industry and Environment*, 26(4), 1-52.
- Romijn, H. (2001). Technology support for small industry in developing countries: A review of concepts and project practices. *Oxford Development Studies*, 29(1), 57-76.
- Saunders, M., Lewis, P. and Thornhill, A. (2007). *Research method for Business Students*. England: Pearson Education Ltd.
- Sacerdoti, Emilio, Access to Bank Credit in Sub-Saharan Africa: Key Issues and Reform Strategies August 2005. IMF Working Paper, Vol., pp. 1-39, 2005.
- Sertsewold Feleke. 2007. Assessment of Growth Trends, Opportunities and Challenges of Small Scale Manufacturing Enterprises: A Case of Mekelle City in Tigray Region. Master Thesis. AAU. Sustainable Livelihoods Approaches: Tools for Main Streaming.
- Sekeran, U. (2001). *Research methods for business: A skills building approach*. New York: John Wiley and Sons, Inc.
- Stephen, E., O., and Wasuu, A., B. 2013. The Contribution of Small Scale Industries to the National Economy. *Standard Research Journal of Business Management*, 1(2), 6071.
- Small Enterprises Association of Australia and New Zealand 26th Annual SEAANZ Conference Proceedings 11-12 Sydney 2013.
- Singh, R., Garg, S. & Deshmukh, G.S. (2008) Strategy development by SMEs for competitiveness: A review. *Bench-marking: an international journal*. Vol.15 (5). PP 525-547.
- Siva, s., 2012. A Study on problems Faced by Entrepreneurs of Small Scale Industries. *Asian Journal of Research in Social Service and Humanities*, 181-188.
- Solomon, E. (2004). Socio economic determinants of growth of small manufacturing enterprises in Addis Ababa. (Master Thesis). Addis Ababa University, Ethiopia.
- Spence, L. 2012. *Primer: Business sustainability for SMEs*. <http://nbs.net/knowledge/primer-business-sustainability-for-SMEs>.
- Van Scheers, L. (2011). SMEs' marketing skills challenges in South Africa. *African Journal of Business Management*, 5(13), 5048-5056. Retrieved from <http://www.academicjournals.org/AJBM> DOI: 10.5897/AJBM10.007 ISSN 1993-8233.
- UN 2008. *Small Scale Enterprises Development and Foreign Direct Investment in Africa: Challenges and opportunities*, DC: Office of the Special Adviser on Africa.
- United Republic Of Tanzania Ministry Of Industry And Trade. *Small and Medium Enterprise Development Policy 2003*.
- United Nations Industrial Development Organization (UNIDO). 2002. *Rural Enterprise Development Support Project. Entrepreneurial Skills for group based SMEs*.
- Watson, Jeff. 2001. *How to Determine a Sample Size: Tipsheet #60*, University Park, PA: Penn State Cooperative Extension.

- Werotew Bezabih Assefa. 2010: *Entrepreneurship: An Engine for Sustainable Growth, Development, prosperity and Good Governance; Genius Training and Consultancy Service, Addis Ababa, Ethiopia.*
- Workneh Fiseha.2007. *The Constraints of Micro and Small Scale Enterprises in Addressing Employment Opportunity: The case of Kolfe Keraneo Sub-city, Addis Ababa.* MA Thesis in Regional and Local Development Studies.RLDS, Addis Ababa University.
- Yusuf, et al. (2003), *Innovative East Asia: The Future of Growth*, Washington, D. C.: The World Bank, a Co-publication of the World Bank and Oxford University Press.
- Zewde and Associates 2002. *Women Entrepreneurs in Ethiopia, Jobs Gender, and Small Enterprises in Africa.* Women Entrepreneurs in Ethiopia ILO Office, Addis Abeba.

APPENDIX A
HARAMAYA UNIVERSITY
POSTGRADUATE PROGRAMS DIRECTORATE
Department of Management
MBA Program

Questioner to be filled the small scale enterprises operators or owners.

Dear respondent!

With this questionnaire, the researcher intends to assess the **Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises** for the partial fulfillment of Masters Degree in Business Administration and it is for academic purpose. Therefore, you are kindly requested to answer the questions honestly and thus you are required to feel because the researcher assures you that all written responses are confidential and will be kept completely in secrete. For genuinely doing so by devoting your time and exerting effort, the researcher really remains very grateful to you. Mean while, the wishes to bring in to your attention, the outcome of this study will highly depend on your sincere and timely response.

This questionnaire contains two parts: part I and II. Part I requires demographic information whereas part II requires statement designed to measure the external factor and internal affecting promoting small scale enterprises. Detailed instruction is given for each part in the questionnaire for your guidance. Kindly give your assessment by placing a tick (✓) mark in the appropriate box parallel to each item.

Melkamu zewdu is doing the research under the guidance of Mr. Robson Mekonnin(Assistant professor) at Haramaya University college of Business and Economics. In case you want to contact him, Melkamu zewdu can be reached at +251 920 05 54 27 mobile number and natanmelkamu422@gmail.com at e-mail.

NB: - You do not need to write your name

Thank you in advance for your co-operation!!

Part one – Demographic Profile of the Respondents

The following statement requires information about yourself and they will not be used to identify any individual or not write your name. Please fill in only one-person per question.

Questioner to be filled the small scale enterprises operators or owners.

Please tick (✓) appropriately represents your response in each of the following table questions.

Demographic variable	Response
1. Gender	
Male	
Female	
2. Your Age (in year).	
< 30	
30-39	
40-49	
50-59	
60 and above	
3. Your education level	
Elementary school	
High school	
TVET	
Diploma	
Degree	
Others	
4. Your Type of Business	
Manufacturing	
Construction	
Service	
Sales trade	
Urban Agriculture	
5 The established year of the business	
2007- 2009	
2010- 2012	
2013- 2015	

Part two: - Variable related to the external factor and internal affecting performance of small scale enterprises and its implication for promotion to medium scale enterprises.

The following statement requires information about **Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises**. Indicate scale of your agreement with each statement
1.strongly disagree 2.disagree 3.neutral 4.agree and 5.strongly agree.

EXTERNAL

	External	Strongly disagree	Disagree	neutral	Agree	Strongly agree
Financial						
1	Shortage of working capital					
2	Inadequacy of credit institutions					
3	High collateral requirement from banks and other lending institutions					
4	High interest rate charged by banks and other lending institutions					
5	Unfamiliarity with financial Information					
Marketing						
1	Inadequate market for product					
2	Searching new market is so difficult					
3	Lack of demand forecasting					
4	Lack of market information					
5	Lack of continuous improvement of product					
6	Lack of promotion to attract potential users					
7	Poor customer relationship and handling					
8	Poor supplier relationship and handling					

	External	Strongly disagree	Disagree	.neutral	Agree	Strongly agree
Infrastructural						
1	Power interruptions					
2	Insufficient and interrupted water supply					
3	Lack of business development services					
4	Lack of sufficient and quick transportation service					
Political-Legal						
1	The tax levied on my business is not reasonable					
2	Lack of government support					
3	Lack of access to information on government regulations that are relevant to my business					
4	Unclear evaluation criteria of promotion					
5	Lack of participation in criteria development					
Raw materials						
1	Insufficient supplies					
2	Shortage of Quality raw material					
3	Insufficient competent suppliers or vendor					
4	Fluctuation of raw materials prices					

INTERNAL

	Internal	Strongly disagree	Disagree	.neutral	Agree	Strongly agree
Entrepreneurial Factors						
1	Lack of innovation and creativity					
2	Lack of tolerance to work hard					
3	Lack of confidence					
4	Lack of setting goal and objective					
5	Lack of motivation and drive					
6	Lack of persistence and courage to take responsibility for ones failure					
7	Lack of information to exploit business opportunities					
Technological Factors						
1	Lack of appropriate machinery and equipment					
2	Lack of money to acquire new technology					
3	Unable to select proper technology					
4	Ineffective cooperation with Technical and Vocational College					
5	Lack of skills to handle new technology					
Management Factors						
1	Lack of clear division of duties and responsibility among employees					
2	Poor and ineffective communication					
3	Lack of well trained and experienced employees					
4	Lack of strategic business planning					
5	Poor organization and structural					
6	Lack of cash management skill					
7	Lack of material measurement					
8	Shortage of accessible training facilities					

	Statement	Strongly disagree	Disagree	neutral	Agree	Strongly agree
The following related dependent variables promotion small scale enterprises to medium scale enterprises.						
1	Do you think that your profit of business create favorable condition to promote small scale enterprises to medium scale enterprises.					
2	Do you believe that your business create job opportunities to promote small scale enterprises to medium scale enterprises.					
3	Do you think that rules and regulation to promote small scale enterprises to medium scale enterprises.					
4	Do you believe that your business fulfilled the indicators that decide to promote small scale enterprises to medium scale enterprises?					
5	Do you think that product quality and transfer new technology that decides to promote small scale enterprises to medium scale enterprises.					
6	Generally the city administrations provide adequate support and motivate to promote small scale enterprises to medium scale enterprises.					

Thank you for your cooperation!!

APPENDIX B
HARAMAYA UNIVERSITY
SCHOOL OF GRAGUATE DIRECTORATE
Department of Management
MBA Program

To be responded by DDMSEDA, Trade Industry Bureau, Micro Finance Head and TVET agency director and College Dean.

This structured interview has been prepared to examine the **Performance of Small Scale Enterprises in Dire Dawa City Administration and Its Implication for Promotion to Medium Scale Enterprises**. The information you are going to provide will be used only for academic purpose and further benefiting the business society by preparing possible suggestion.

Therefore, you are kindly requested to give genuine responses and treated confidentially.

I would like to thank you very much in advance for your cooperation.

1. Dose the agency incorporate the plan that promotion small enterprise to medium enterprises on strategic and annual plan?
2. What are the indicator and prerequisites in order to promotion small enterprise to medium enterprises?
3. Do you believe the agency create sufficient awareness regarding the benefits of promotion on the enterprises?
4. Do the regulations and rules create favorable condition for enterprises promotion?
5. In what extent the agency create favorable condition to the enterprises?
6. What are the main factor affecting of the sector that make difficulties the promotion?
7. What are the main factor affecting of the cooperatives and operators that make difficult to promotion?
8. How to minimize the promotion problem of small enterprise to medium enterprises?

APPENDIX C

Correlations Matrix										
		promotion	Financial	Marketing	Infrastructu ral	Political legal	Raw Material	Entreprene rial	Technologica l	Manageme nt
Promotion	Pearson Correlation	1								
	Sig (2-tailed)									
	N	160								
Financial	Pearson Correlation	.731**	1							
	Sig (2-tailed)	.000								
	N	160	160							
Marketing	Pearson Correlation	.840**	.759**	1						
	Sig (2-tailed)	.000	.000							
	N	160	160	160						
Infrastructu ral	Pearson Correlation	.695**	.775**	.705**	1**					
	Sig (2-tailed)	.000	.000	.000						
	N	160	160	160	160					
Political legal	Pearson Correlation	.808**	.809**	.804**	.760**	1**				
	Sig (2-tailed)	.000	.000	.000	.000					
	N	160	160	160	160	160				
Raw Material	Pearson Correlation	.786**	.745**	.840**	.594**	.814**	1**			
	Sig (2-tailed)	.000	.000	.000	.000	.000				
	N	160	160	160	160	160	160			
Entreprene rial	Pearson Correlation	.641**	.533**	.646**	.707**	.705**	.607**	1**		
	Sig (2-tailed)	.000	.000	.000	.000	.000	.000			
	N	160	160	160	160	160	160	160		
Technologi cal	Pearson Correlation	.691**	.922**	.738**	.869**	.863**	.702**	.683**	1**	
	Sig (2-tailed)	.000	.000	.000	.000	.000	.000	.000		
	N	160	160	160	160	160	160	160	160	
Manageme nt	Pearson Correlation	.700**	.874**	.767**	.894**	.832**	.709**	.764**	.946**	1**
	Sig (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	160	160	160	160	160	160	160	160	160

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

APPENDIX D

Model Summary

Multiple Regressions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904 ^a	.817	.807	.21413

- a. Predictors: (constant), Financial, Marketing, Infrastructural, Political , Raw materials, Entrepreneurial, Technological, Management

Coefficients

coefficients	Model			Standardized Coefficients	t	Sig.
	Unstandardized Coefficients					
	Variables	B	Std. Error	Beta		
	(Constant)	.530	.107		9.186	.000
	Financial	.301	.039	.402	5.800	.000
	Marketing	.214	.071	.264	4.729	.000
	Infrastructural	.175	.045	.295	3.865	.000
	Political	.395	.065	.413	4.594	.000
	Raw materials	.189	.078	.076	2.415	.017
	Entrepreneurial	.184	.045	.227	3.386	.001
	Technological	.329	.053	.313	3.870	.000
	Management	.217	.069	.348	3.129	.006

- a. Dependent Variable : Promotion

APPENDIX E

Coefficients^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Financial	.353	3.950
	Marketing	.458	6.320
	Infrastructural	.308	4.803
	Political Legal	.345	6.912
	Raw materials	.430	7.685
	Entrepreneurial	.394	2.536
	Technological	.369	5.906
	Management	.578	7.155

APPENDIX F

Collinearity Diagnostics ^a												
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions								
				(Constant)	Financial	Marketing	Infrastructural	Political Legal	Raw materials	Entrepreneurial	Techno	Mange
1	1	8.736	1.000	.00	.00	.00	.00	.00	.00	.00	.00	.00
	2	.105	9.100	.01	.06	.00	.04	.00	.01	.00	.04	.01
	3	.070	11.146	.10	.03	.00	.06	.00	.00	.01	.01	.00
	4	.040	14.734	.00	.04	.01	.07	.00	.00	.05	.10	.01
	5	.016	13.162	.08	.05	.02	.05	.09	.04	.10	.01	.00
	6	.014	14.980	.09	.01	.04	.03	.01	.00	.06	.01	.04
	7	.009	20.491	.03	.01	.05	.06	.01	.10	.04	.10	.04
	8	.005	12.614	.07	.10	.08	.10	.07	.03	.10	.05	.09
	9	.004	18.684	.00	.10	.09	.00	.09	.08	.04	.09	.08

a. Dependent Variable: Promotion