DETERMINANTS OF SELF-EMPLOYMENT DECISION IN SELECTED WOREDAS OF ASSOSA ZONE

Tizazu Kassa

Lecturer, Department of Management, College of Business and Economics Assosa University, Assosa , Benishangul Gumuz Region , Ethiopia.

Abstract

Self-employment is recognized as an important source for economic development. Self-employment is vital for any country, as it increases competition, promotes the effective use of resources and generates new jobs. However, very little is known about what factors influence self-employment decisions of individuals in Benishangul Gumuz, Region. Therefore, this study investigates determinants of self-employment decision of individual in Assosa zon selected woredas. For the sake of achieving the objective of this study, data was gathered through survey questionnaire from 175 business owners and 136 paid employees. These respondents were selected using stratified sampling technique. The data collected from the questionnaire were analyzed through statistical analysis such descriptive statics, correlation and binary logistic regression analysis. The finding of this study revealed that individual's self-employment decision is significantly influenced by gender, level of education, family business background, access to credit, risk tolerance and social norm. On the other hand, locus of control, self-confidence, social network and receiving inheritance were not found to influence the decision to become self-employed. Moreover, the explanatory variables such as risk tolerance, family business background, gender, social norm, level of education and access to credit significantly explain 86% of the variations in self employment decision of individuals in selected woredas of Assosa Zone. However, the rest 14% of self employment decision of individuals will be explained by other variables not include in this study. Based on the findings of the study, the researchers forwarded some recommendations to the management of Assosa zone micro and small enterprises, policy makers and suggestion for other researchers.

Keywords: Employment, Paid Employment, Self-Employment, Self-Employment decision

INTRODUCTION

Self-employment is recognized as an important source for economic development. Self-employment is described the status of working for oneself through running one's own business instead of for an employer. Whereas wage/salary employment is defined as a kind of employment individual engage in activities as assigned by the employer organization (Parker 2009). Nowadays, a special attention is paid to

entrepreneurship and entrepreneurs in different countries and most scholars believe that entrepreneurship and entrepreneurs have a considerable impact on the growth and development of developing countries (Rahmati et al, 2010). Parker, (ibid) stated that in developing countries, self-employment constitutes a large share of labor force. Among those self- employed, a big proportion of them are involved with small-scale, low productivity and family based enterprise and those enterprises generally are considered as informal sector (Maloney, 2004).

So, Ethiopia is one of the least developed nations, with the overall development objective of ending poverty through accelerated and sustained economic growth and improves employment opportunities especially for the youth and women (ILO, 2009). To bring this in to reality, the government of the country has increasingly emphasized on the importance of new firm formation and small business growth. However, it looks that the desired level of outcome has not been sufficiently achieved; even seems to be deteriorating and the growth of self-employment has shown a declining pattern from time to time in the urban areas of Ethiopia (Getinet, 2005), his studied the determinants of self-employment focusing mostly on demographic variables using a panel data. However, it lacks comprehensiveness to embrace most relevant variables such as personality trait and others environmental factors, which could have significant effect on self-employment decision. Therefore, this research examined determinants of self-employment decision in selected woredas of Assosa zone particularly Assosa, Menge, Mawokomo, and Bambasie woredas.

LITERATURE OF REVIEW

According to Moore, self-employment is like a "bottom tier" of employment (Moore (1982). Evans and Leighton (1989) also suggested that less capable workers were likely to be self-employed. Wage/salary employment is one of the occupational alternatives available for individuals to choose.

EMPIRICAL REVIEW

Gender: Krasniqi (2009) found that men are more likely to be self-employed or business owners than women. Women and men with the same level of education may differ with respect to the decision to become self-employed.

Educational Achievement: Many studies of the determinants of self-employment take a person's educational attainment to be an important factor in the decision to be self-employed though its effect on self-employment decision.

Family business background: Strong evidence also exists to connect entry into self-employment and having self-employed family member. Davidsson and Honig (2003) argue that having parents who owned businesses and support from family and friends is a good predictor for entry into self-employment.

Previous business Experience: According to Manu et al. (2008), many individuals start businesses in areas similar to their previous work backgrounds.

Risk Tolerance: is the ability to take measured or calculated risks (Manu et al., 2008). Risk tolerance has been found to be one of the most significant factors affecting self-employment decision of individuals (Verheul et al., 2006).

Internal locus of control: is an individual belief that (s) he can influence events through ability or effort (Strauser, 2002).

Self Confidence: is belief in one self and in their ability to achieve the goals they have set for themselves (Manu et al., 2008). Self-employed should have to be optimistic and enthusiastic about ventures they undertake and are able to motivate others with their enthusiasm.

Social networks: is a set of personal contacts through which an individual maintains his social identity and receives emotional supports, material aid and services, information and new social contacts (Walker et al., 1977 as cited in Allen, 2000).

Social Norms: are standards of behavior that are based on widely shared beliefs how individual group members ought to behave in a given situation. The group in which social norms exist can be a family, a peer group, an organization or even the whole society.

Access to Credit: The role of availability of finance on individual's decision to become entrepreneur largely depends on individual's personal wealth through savings serving as a substitute for external finance (Krasniqi, 2009).

SIGNIFICANCE OF THE STUDY

This study is important in that it shades light on the area of self employment in the context of Ethiopia. Specifically the study will adds some sort of knowledge to the existing literatures and may serve as a spring board for future researchers who want to conduct detailed research in the area. Furthermore, this study will help the policy makers to assess determinants of self employment decision and to take corrective measure if it is mandatory and it initiates the concerned organization to reassess its existing practices with a view to encourages peoples to be self employed.

STATEMENT OF THE PROBLEM

Self-employment is the driving force in the contemporary and future economy of countries. Thus, self-employed persons are achieving our economic desires by creating thousands of new ventures every year. Opting self-employment as an occupation can create opportunities for him/her and become earning sources instead of looking for employment opportunities from employer organizations. It also brings independence, offers higher financial returns, creates new employment opportunities, economic growth and improves the living standards of an individual (Dawson et al., 2009, Parker and Johnson, 1996).

Moreover, Ethiopia is one of the least developed nations, with the overall development objective of ending poverty through accelerated and sustained economic growth and improves employment opportunities especially

for the youth and women (ILO, 2009). To bring this in to reality, the Government of the country has increasingly emphasized on the importance of new firm formation and small business growth. However, it looks that the desired level of outcome has not been sufficiently achieved; even seems to be deteriorating (Getinet, 2005). His study suggests that the growth of self-employment has shown a declining pattern from time to time in the urban areas of Ethiopia.

A substantial body of research has shown that individuals' decision to become self-employed can be influenced with a range of personal and environmental factors (Mazzarol et al.1999). Verheu et al. (2002) argue that self-employment decision is made at the individual level, taking into account entrepreneurial opportunities and resources, ability, personality traits and preferences of the individual. In addition Blanchflower (2004) finds that education is positively correlated with self-employment in the United States, but negatively in Europe. However, it is doubtful whether all these factors identified in the literature would have comparable effect on self-employment decision of individuals in different countries with different level of development and under different economic circumstances. Since most of these studies were done in the context of developed countries, the results of these studies might remain inconclusive for least developed countries, such as Ethiopia.

Finally, very small is recognized about what factors are influencing the self-employment decisions of individuals in Ethiopia. Getinet (2005) has studied the determinants of self-employment focusing mostly on demographic variables using a panel data. However, it lacks comprehensiveness to embrace most relevant variables such as personality trait and others environmental factors, which could have significant effect on self-employment decision. Therefore, this research examined determinants of self-employment decision in selected woredas of Assosa zone particularly Assosa, Menge, Mawokomo, and Bambasie woredas.

OBJECTIVE OF THE STUDY

The general objective of this study was examined determinants of self employment decision in selected woredas of Assosa Zone. The specific objectives of this study are as follows:

- ❖ To identify the relationship between various personal and environmental factors with self-employment decision of individuals.
- ❖ To examine the effect of environmental factors on self-employment decision of individuals.
- ❖ To analyze the influence of personal factors on self-employment decision of individuals.
- ❖ To identify which factor critically influencing the self employment decision of individuals.

HYPOTHESES OF THE STUDY

H1: There is statistically significant relationship between various personal and self-employment decision of individuals.

H2: There is statistically significant relationship between environmental factors and self-employment decision of individuals.

H3: There is statistically significant effect of environmental factors on self-employment decision of individuals.

H4: There is statistically significant effect of personal factors on self-employment decision of individuals.

RESEARCH METHODOLOGY

Descriptive and explanatory study design using quantitative approach was used. Explanatory study design was used to explain and predict the relationship between variables. The target populations of this study were owners of manufacturing, construction, service and trade sectors and wage/salary employees of Finance & economic development, Agriculture, Urban development, Trade & Industry bureaus. Primary and secondary data source were used to collect data. Primary data was obtained directly from the owner of business and wage/salary employees through questionnaire according to the likert-scale. Secondary data was collected from books, journals and reports of Assosa Zone MSEs. The total population of this study was 941 business owners and 737 public sector employees according to Assosa Zone MSEs agency report, 2016 and BGRSCSB report, 2016 respectively.

To determine the sample size of population, the study used stratified sampling technique. The sample size of the population was calculated by using formula of Yemane (1967) at 95 % confidence level and 0.05 precision levels. $n_o = (\frac{N}{1+N(e^2)})$ $n_o = (\frac{1678}{1+1678(0.05^2)}) = 323$ Where n_o = is the sample size, N = is the population size, and e = is the level of precision or sampling error = (0.05). Therefore, among the total number (941) of the business owners, 181 sample business owners were selected and also from the total number (737) of the salary/wage employees, 142 sample employees were selected proportionally. To meet consistency reliability of the instrument, the questionnaires was distributed to business owners and Cronbach's alpha was found to be 0.892 for factors of self employment decision questionnaires; which is above 0.7.

According to Bryma and Bell (2003), the Cronbach's Alpha result of 0.7 and above implies acceptable level of internal reliability. To assure validity, questionnaires were designed on the basis of previous studies' questionnaires, review of related literatures and incorporated the comments of university lecturers. Statistical Package for the Social Sciences (SPSS) version 20 was used to analyze the data through the statistical tools used for this study, namely descriptive analysis, correlation and binary logistic regression analysis.

MODEL SPECIFICATION AND VARIABLES MEASUREMENTS

According to Hosmer and Lemeshew (1989), a logistic distribution has got advantage over the others in the analysis of dichotomous outcome variable in that it is extremely flexible and easily used model from

mathematical point of view and results in meaningful interpretation. Therefore, in order to explain the dichotomous dependent variable, the study used the Logit model. Therefore, the model is depicted as follows:

Y = f (X1, X2, X3… ,Xn) Y= Shows the decision as self-employed individual. Y =1, If an individual decided to be self-employed and equal to zero if the individual is employed. X = Explanatory Variables

$SE = \dfrac{1}{1+ e^{-(\beta X_j)}}$, Where, SE is the probability that a person chooses to be self-employed; "e" is the exponential value. "β" is a row vector of parameters and Xj is the column of the variable. With the Logit model, the natural log of the odds ratio of self-employment to wage/salary employment expressed as a linear function of independent variables as follows:

Logit (π)= βXj ....Xn

Logit(π)= α+ β1(GE)+ β2(EDU)+ β3(FB)+β4(RT) +β5 (SC)+ β6(LC) β7 (SN)+ β8 (SNT)+ 9(AC) + β10(RIN).

Where the explanatory variables (in the parenthesis) represents, GE(Gender), EDU(Educational level), FB (Family background), RT(Risk Tolerance), SC(Self Confidence),SNO(Social Norm), SNT(Social Network), LC(locus of Control), AC(Access to Credit) and Receiving Inheritance(RIN). Except the demographic and background variables all other variables were measured using five point Likert scales with 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree. However, Price (2000) proposes that the higher level likert scale measures and categories can be reduced in to smaller measurement scales and categories by recoding the variables. Accordingly, for the ease of interpretation and analysis in logistic regression model, the following values were assigned to each scale: 1= Strongly Disagree & Disagree; 2 = Neutral; 3 = Agree & Strongly Agree.

RESULTS AND DISCUSSION

DESCRIPTIVE STATISTICAL ANALYSIS

Table 4.1 Gender of Respondents of Self employed and wage employed

Gender	Self employed		Wage employed	
	Frequency	Percent	Frequency	Percent
Male	107	61.1	45	33.0
Female	68	38.9	91	67.0
Total	175	100.0	136	100.0

Source: Own survey, 2016

Regarding to the gender profile of the respondents as revealed in table 4.1, 61.1% of male respondents were self employed. Whereas 67% of female respondents were wage/salary employed. This implies that male covered the largest share of self-employment status while female dominate the paid employment status.

Table 4.2 Educational level of Respondents of Self employed and wage employed

Educational level	Self employed		Wage employed	
	Frequency	Percent	Frequency	Percent
Primary school complete	45	25.7	12	8.8

High school complete	71	40.5	14	10.3
Vocational	24	13.7	18	13.2
College diploma	20	11.4	34	25.0
Bachelor degree	15	8.7	53	39.0
Master degree and above	0	0	5	3.7
Total	175	100.0	136	100.0

Source: Own survey, 2016

Regarding the educational level of the self employed respondents as shown in the above table 4.2, 40.5% were high school complete followed by 25.7% of the respondents are primary school complete. However, 39 % of the wage employed respondents were degree holders followed by 25% of the respondents were college diploma holders. This shows that less educated individual prefer self employment as a job options than wage/salary employment, but highly educated individual prefers wage/salary employment than self employment.

Table 4.3: family background of respondents of Self- employed and Wage employed

Family background	Self employed		Wage employed	
	Frequency	Percent	Frequency	Percent
Government employed	23	13.1	104	76.5
Private employed	43	24.6	9	6.6
Self employed	96	54.8	16	11.8
Others	13	7.5	7	5.1
Total	175	100.0	136	100.0

Source: Own survey, 2016

With regard to family background of the self employed respondents, as indicated in the above table 4.3 self employed were represented 54.8% of the respondents, 24.6% of the respondents were engaged in private sector, while 76.5% of parent occupation of the wage employed respondents were government employed. So it indicates that those respondents comes from self employed and private employed have high intention to start their own business where as those respondents comes from government employed parents have a maximum preference to work in government organizations. Therefore, occupation of the parents of the respondents contributes to the individual's decision to start own business.

CORRELATION ANALYSIS

To identify the relationship between factors of self employment decision and self employment decision, the Pearson Product Moment Correlation Coefficient was used.

Table 4.4: Correlation result on the relationship between factors of self employment decision and self employment decision.

		Risk tolerance	Access to credit	Locus of control	Self-confidence	Social norm	Social network	Receiving Inheritance	Self employment decision
Risk tolerance	Pearson Correlation	1							

	Sig. (2-tailed)								
	N	311							
Access to credit	Pearson Correlation	.271**	1						
	Sig. (2-tailed)	.002							
	N	311	311						
Locus of control	Pearson Correlation	.478	.155	1					
	Sig. (2-tailed)	.170	.335						
	N	311	311	311					
Self-confidence	Pearson Correlation	.163	.208	.253**	1				
	Sig. (2-tailed)	.265	.356	.000					
	N	311	311	311	311				
Social norm	Pearson Correlation	.480	.172	.240*	.469**	1			
	Sig. (2-tailed)	.159	.203	.014	.000				
	N	311	311	311	311	311			
Social network	Pearson Correlation	.383	.200	.473**	.308*	.413*	1		
	Sig. (2-tailed)	.146	.078	.002	.029	.030			
	N	311	311	311	311	311	311		
Receiving Inheritance	Pearson Correlation	.530**	.671*	.285	.197	.336*	.216*	1	
	Sig. (2-tailed)	.000	.000	.135	.088	.016	.013		
	N	311	311	311	311	311	311	311	
Self employment decision	Pearson Correlation	.536*	.678*	.427	.369	.632*	.409	.345	1
	Sig. (2-tailed)	.012	.013	.235	.243	.014	.153	.284	
	N	311	311	311	311	311	311	311	311

Source: Own survey, 2016   * Correlation is significant at the 0.05 level (2-tailed)

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

The correlation result in table 4.4 above shows that there is positive and statistically significant relationship between risk tolerance and self employment decision(r = .536, p < 0.05), access to credit and self employment decision(r=.678, p <0.05), social norm and self employment decision(r=.632, p <0.05.

BINARY LOGISTIC REGRESSION RESULTS OF SELF-EMPLOYMENT DECISION

Binary logistic regression model was run to find out the determinant factors of self employment decisions. The dependent variable, self employment decisions, is a discrete variable with only two possible outcomes: 1 self employment and 0 if employed. Reliability test was made for the main items of the questionnaire; Moreover, classical model specification test for multi- co linearity and hetero skedesticity were made so that the data meet the assumption underlying the binary logistic regression model. Multicollinearity test has been carried out for this study and the result revealed that there is no tolerance value less than 0.1 and no value of VIF is greater than 10. This ensures that no collinearity problem has been found within the explanatory variables of this study.

Table 4.5: Test of the overall significance of the Logistic Regression Model

Omnibus Tests of Model coefficients

		Chi-square	df	Sig
Step 1	Step	58.891	14	.000
	Block	58.891	14	.000
	Model	58.891	14	.000

Source: Own survey, 2016

As indicated in table 4.5 the overall model is fitted. The model is significant at 0.01 percent level of significance when all explanatory variables are includes in the model. Therefore, the insertion of all independent variables will get better the fit of the model.

Table 4.6: R square test

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	51.243	.625	.86

Source: Own survey, 2016

As shown in table above 4.6. The variance in whether or not an individual was employed or self-employed can be predicted from the combination of the independent variables. The Nagelkerke R2 value of the model is the same with R2 in logistic regression model was 86%, which implies that the explanatory variables explains 86% of whether or not an individual was employed or self-employment. While, the rest 14% of whether or not an individual was employed or self-employment will be explained by other variables not include in this study.

Table 4. 7. Binary Logistic Regression Results of Self-Employment decision

Predictors	B	S.E.	Wald	P-Value	OR
Gender Female(Ref.)					
Male	2.748	.846	5.231	**.026***	13.265
Educational level Below university degree (Ref.)					
Degree and above	-2.893	.752	10.53	**.030***	.125
Family Background Others(Ref.)					
Self-employed	2.725	1.436	3.462	**.028***	11.364
Risk Tolerance Risk Averse(Ref.)			7.435	**.030***	
Neutral	1.516	2.314	0.36	.271	3.643
Risk Taker	2.844	2.035	6.318	**.027***	16.425
Locus of control External locus of control(Ref.)			2.718	.347	
Neutral	1.246	2.353	3.021	.254	5.725
Internal Locus of Control	2.724	1.625	2.329	.148	6.471
Self-confidence Lack of confidence(Ref.)			2.572	.473	
Neutral	1.839	2.112	2.461	.325	4.621
Self-Confident	.382	2.458	.263	.567	2.483
Social norm Discouraging social norm(Ref.)			7.934	**.027***	
Neutral	2.131	1.332	1.402	.236	2.582
Encouraging social Norm	3.893	2.245	8.174	**.030***	26.574
Access to credit No access to credit(Ref.)			4.974	**.029***	
Neutral	.295	1.775	.534	.876	1.359
Sufficient Access to Credit	3.681	2.873	4.312	**.036***	24.725
Social network No social network(Ref.)			3.792	.074	

Neutral	1.317	1.845	.739	.453	2.673
Large social Network	3.458	1.264	3.415	.825	14.632
Receiving Inheritance				5.968	.074
No inheritance received(Ref.)					
Neutral	.628	2.547	.347	.529	3.572
Received Inheritance	3.672	2.485	6.658	.135	9.216
Constant	-15.413	4.652	7.951	. 001	.000

Source: Own survey, 2016

* Significant at 5% level of Significance. OR = Odds Ratio, Ref. = Reference category. The first category is taken as reference category.

DISCUSSION

Binary logistic regression model has been employed to make analysis of the data collected by using questionnaires. This model estimates the likelihood of being self-employed among individuals. More important to the interpretation of the logistic regression is the value of the odds ratio in the SPSS output, which is an indicator of the change in odds is resulting from a unit change in the predictor. Therefore, the interpretation of the regression result was made based on the odds ratio of each variable presented in Table 4.7. So the discussion of the result is as follows:

Gender: The finding in Table 4.7 shows that there is a positive and significant association between being male and the likelihood of becoming self-employed at ($p < 0.05$) level of significance. The positive coefficient for this variable shows that females were less likely to be self-employed than their males counterparts. Besides, this study revealed that the odds of being self-employed compared to being a salary worker is 13.265 times higher for males than for females. This odd ratio reflects that higher level of self-employment decision is made mostly amongst men. Therefore, the null hypothesis is rejected which states that 'there is no statistically significant effect of gender difference on the self-employment decision of individuals and accepted the alternative hypothesis which states that 'there is statistically significant effect of gender difference on the self-employment decision of individuals.

This finding is supported by the study Sandhu et al. (2010) and Krasniqi (2009) reported that men are more likely to be self-employed than women. They have also explained the reason why less number of women make a decision to become self-employed signifying that it might be related with their interest to take risk and family responsibilities. Besides, the society had a belief that females should take over the duties of child care and other domestic duties at home rather than working out of home in which they would get the opportunity to develop their business skills. So, their tendency to become self-employed could have been eroded. Therefore, all these things might have prevented them from starting their own business.

Educational level: The finding in table 4.7 above indicated that there is a negative and statistically significant relationship between educational level and self employment decision at ($p < 0.05$) level of significance. The negative coefficient of educational level revealed that individuals with higher level of education are less likely to be self-employed than those with low level of education. The finding of this

study also shows that the odd of being self-employed for those who have university degree and above is .125 times less than from those whose educational level is below university degree. The reason for low participation of university qualified individuals in business start up decisions might be linked to the presence of job opportunities for employment in government and other organizations.

This finding is consistent with the study by Getinet (2005) found that level of education has a negative and significant relationship between the self-employment decision. The low participation of university degree holders in self-employment can be related with the unfavorable attitude of the educated persons themselves, parents and the society in general towards business activities. Parents would like to see their children to be an employee of a reputable organization with attractive salary after he/she graduated from higher institutions instead of becoming business person. Due to this reason, the level of participation among the higher education graduates in self-employment could have been significantly low.

Family business background: The finding in table 4.7 above indicated that there is a positive and statistically significant relationship between family business background and self employment decision at ($p < 0.05$) level of significance. Moreover, this study revealed that, individuals with business family background are 11.364 times more likely to enter in to self-employment than those whose families have different backgrounds. Therefore, the null hypothesis is rejected which states that 'there is no statistically significant effect of family business background on the self-employment decision of individuals and accepted the alternative hypothesis which states that 'there is statistically significant effect of family business background on the self-employment decision of individuals.

This result is supported by Chang et al. (2009) and Davidsson and Honig (2003) have found positive and significant relationship between family business background and self-employment decision of individuals. This might be due to the reason that family business background provides role modeling, business experience, and cultural inputs upon their children; thereby increasing their ambition and propensity to become self-employed (Hundley, 2006).

Risk tolerance: The finding also revealed that there is a positive and statistically significant relationship between risk tolerance ability and self employment decision at ($p < 0.05$) level of significance. Moreover, the study shows that the odd of making self-employment decision is 16.425 times higher for risk taker person than those who are risk averse. Thus, individuals with better risk tolerating ability are more likely to make self-employment decision than those who do not.

Therefore, the null hypothesis is rejected which states that 'there is no statistically significant effect of risk tolerance on the self-employment decision of individuals and accepted the alternative hypothesis which states that 'there is statistically significant effect of risk tolerance on the self-employment decision of

individuals. This finding is consistent with the study by Grilo and Irigoyen (2006) who found that risk tolerance ability affects self-employment decision of individuals.

Social Norm: The finding in Table 4.7 revealed that there is a positive and statistically significant relationship between social norm which encourages business practice and self employment decision at (p < 0.05) level of significance. The study also indicates that the odd of making self-employment decision is 26.574 times higher for individuals whose social norm encourages business activities than those whose social norm discourages business activities. Therefore, the null hypothesis is rejected which states that 'there is no statistically significant effect of social norm on the self-employment decision of individuals and accepted the alternative hypothesis which states that 'there is statistically significant effect of social norm on the self-employment decision of individuals. Prieto et al. (2010) indicated that social norms encouraging new venture creation may increase the formation of new business, perceived control, cultural elements promoting self-employment and resources.

Access to credit: The finding also indicated that there is a positive and statistically significant relationship between access to credit and self employment decision at (p < 0.05) level of significance. Moreover, the study shows that the odd of choosing self-employment is 24.725 times higher for people who had enough access to credit than those who had no access to credit. Therefore, the null hypothesis is rejected which states that 'there is no statistically significant effect of access to credit on the self-employment decision of individuals and accepted the alternative hypothesis which states that 'there is statistically significant effect of access to credit on the self-employment decision of individuals.

This finding is supported by the study Grilo and Irigoyen (2006) found that the effect of access to credit has a positive influence on people's decision to start-up a business and he justified that starting a businesses often requires a lot of financial resources. Generally, the finding of the study in table 4.7 revealed that variables such as gender, level of education, family business background, risk tolerance, access to credit and social norm were found to be significant factors to have influence on self-employment decision of individuals. On the other hand, locus of control, self confidence, social network and receiving inheritance were found to be insignificant factors to have effect on self-employment decision of individuals.

CONCLUSION

This study was examined determinants of self employment decision in selected woredas of Assosa Zone. The finding shows that there is a significant difference between being male and female in making self-employment decision. This study also indicated that there is significant relationship between educational level and self-employment decision of individuals. The relationship is negative indicating that the more educated individuals are less likely to prefer self-employment over salary employment. The number of business owners among the graduates of university is fewer than that of the non-graduates.

Availability of adequate financial credit service enhances the probability of individuals becoming self-employed. This might be emanated from the strong connection among financial resource and business operations. Furthermore, the result of the study shows that being risk taker increases the probability of becoming self-employed. Unlike risk aversion individuals, risk takers are more likely to prefer self employment than wage /salary employment.

RECOMMENDATIONS

Based on the finding of the study, the following recommendations are forwarded to Assosa Zone micro and small enterprise agency, owners of business enterprises, policy makers and suggestion for other researchers. The result of this study indicated that the involvement of women in self-employment is weak compared to males. So, government and other organizations doing on women affairs should give training and announce the work of role model women entrepreneurs to the people using Medias to enhance female's involvement in self employment.

The study also shows that highly educated individuals have lower self employment participation compared to less qualified individuals. This might be a big challenge to the business enterprises, because it is difficult to improve product quality and solve problems of business without having basic business skills and knowledge. So that, self-employment should be encouraged among the university graduates in order to improve product quality, innovation and solution to different types of dilemma in business. So, the government should organize business awareness creations programs and providing business information through various Medias would also encourage business ownership interest of individuals.

Moreover, Social norm is also another important factor which affects choice of self-employment decision of individuals. The social norm that discouraging self employment should be eroded with intensive promotion of self-employment among the society, when people look at a person who is highly successful through working own business, then the attitude towards self employment will gradually change and the interest to start business will increases.

Adequate access to credit is also another significant factor that affects the individual's self-employment decision. Individuals access to credit can be improved by creating link with financial institutions (banks, micro finance, debit and credit) to make the individuals benefited with the financial credit service and ultimately to start their own business. Besides, government should establish business consultancy centers to meet the needs of emerging businesses for instance, business skills, financial management, business planning, marketing and customer handling services. Finally, future researcher should have to draw sample of respondents from different woredas for the sake of generalizing the results of the study.

SCOPE FOR FURTHER RESEARCH

This study delimited to only Assosa zone selected woredas, particularly Assosa, Menge, Mawokomo, and Bambassie woredas. Thus, future research should have to draw sample of respondents on more number of zones for the sake of generalizing the results of the study. Besides, the study included only four sectors (manufacturing, service, trade and construction). Therefore, future researcher should incorporate other business sectors like tourism, real estate, wood work, and metal work.

REFERENCES

Amoros, J.E. (2009). Entrepreneurship and quality of institutions: A developing country approach. Research Paper No 2009/7, World Institute of Development Economics Research, United Nations University.

Blanchflower D.G. and A.J. Oswald (1998), 'What makes an entrepreneur?', Journal of Labor Economics, January, 16(1) pp. 26-60.

Bryman, A. and Bell, E. (2003). Business Research Methods. New York: Oxford University Press Inc.

Chang, Birch, D. and Borgia, D. (2009), the motivation to become an entrepreneur", International Journal of Entrepreneurial Behaviour and Research, Vol. 11 No. 1.

Davidsson, P. and Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. Journal of Business Venturing, 18, 301–331.

Dawson, C., Henley, A. and Latreille, P. (2009), Why Do Individuals Choose Self-Employment? United Kingdom.

Faridi, M. Z., Chaudhry, I. S., Anwar, M. & Majeed, A. (2009), The Determinants of Self-Employment in Pakistan: Evidence from Primary data Analysis.

Getinet Astatike (2005), the nature of self-employment in urban Ethiopia, a paper presented at the 3rd International Conference on the Ethiopian Economy, Addis Ababa, Ethiopia.

Grilo, I. and Irigoyen, J.M. (2006), "Entrepreneurship and EU: to wish and not to be", Small Business Economics, Vol. 26 No. 4.

Gujarati, D. N. (2003). Basic Econometrics 4th ed. The McGraw-Hill company.

Hosmer. D. and Lemeshow. S. (1989). Applied logistic regression. New-York. John Wiley and Sons.

Hundley, G. (2006), "Family background and the propensity for self-employment", Industrial Relations, Vol. 45 No. 3.

ILO (2009), Decent work country programme, A Joint Government, Workers" and Employers Organizations" Programme supported by the ILO, Ethiopia.

Krasniqi, B.A. (2009), Personal, household and business environmental determinants of entrepreneurship, Journal of Small Business and Enterprise Development Vol. 16, No. 1.

Maloney, W., (2004), "Informality revisited, " World Development, vol. 32 (7), pp. 1159-1178.

Mazzarol, T., Volery, T., Doss, N., & Thein, V. (1999), factors influencing small business start-ups. International Journal of Entrepreneurial Behavior and Research, 5(2), 48-63.

Nikolova, V. and Bargar, M.S. (2010), "Determinants of Self-Employment in the United States," Undergraduate Economic Review: Vol. 6

Parker, S.C., (2009), "The economics of entrepreneurship " Cambridge University Press.

Price, I. (2000), Dichotomisation, University of New England, Armidale, NSW, 2351.

Prieto, L., Wang, L., Hinrichs, K.T. and Aguirre-Milling, H. (2010), Propensity for self-employment: contrasting the USA and Mexico, Journal of Small Business & Enterprise Development Vol. 17

Rahmati, M.H.; Moghimi, S.M.; and Alvani, S.M. (2010). Analysis of a strategy system for entrepreneurship informal education in Iran. Quarterly journal of entrepreneurship development, 3(9): 7-35

Yamane, T. (1967). Statistics, An Introductory Analysis, (2nd ed.), New York: Harper and Row.