

“The Role of Entrepreneurship Skill for Growth and Development of Ethiopian Economy “In Context to Arba Minch Town”

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Abstract

Micro and small enterprises (SME's) are essential to economic growth and significantly essential to generate profit, increase sales and contribute the return on investment (ROI) to the owners of MSE's. Therefore the MSE's growth and development mainly depend on the entrepreneurship skill have been implemented in MSE's. Because of that, the primary objective of this research was finding out the role of entrepreneurship skill for growth and development of small and micro enterprises in the town of Arba Minch. The target population of this study was entrepreneurs of selected micro and small enterprise of Arba Minch town. There were four areas, and the researcher divides the target population into three strata regarding the sector the entrepreneurs engaged. In this study, the researcher used descriptive research design. For this purpose, stratified sampling technique had used. In this study, 80 respondents have used. The data obtained from the close-ended items of the questionnaire analysed quantitatively by using frequency count and percentage. The data taken from open-ended items of the questionnaire and document analysed through statement form. As the finding of this research shows, in the study area, there were financial and much more infrastructural problems, and MSE's entrepreneurs cannot poses their skill due to different challenges those issues together create a barrier for growth and development. As researcher recommended, it is advisable that all the concerned bodies to give attention or consideration to such problems and the entrepreneurs should concentrate on entrepreneurial skill implementation and skill development.

Keywords: Entrepreneurship Skill, Challenges, Scarcity of Capital, Product Quality, Skill Implementation

Paper Type: Descriptive Research Paper

Introduction

Micro and small enterprise (SMEs) are essential to economic growth and development and significantly essential to generate profit, increase sales provide the return on investment (ROI) to the owners of the MSE's. In developing country the primary barrier to economic growth is often not so much with a scarcity of capital, labour and land, but it is the scarcity of dynamic entrepreneurs that can bring market and mechanisms that can facilitate entrepreneurial activities is the key to growth and development in many countries. Entrepreneurship skill is a crucial factor in economic growth and development. Entrepreneurship skill has considered as a backbone of economic growth and development. It has been well established that the level of economic development of the region to a large extent depends on the myth that entrepreneurs are born no more holds right, instead it is well recognized now that the entrepreneurs can be created and nurtured through appropriate intervention in the form of entrepreneurship skill development program (Indian Entrepreneurship skill movement). The Asian productivity organisation (2007) in its report on entrepreneurship skill and education is regarding knowledge base human capital investment as a prerequisite for sustained economic growth and development and productivity of the enterprise. A firm's competitive advantage esteems from its entrepreneurial skill capability, managerial ability and technical know-how and its flexibility to the internal and external business environment. Primary education continuing investment in on the job, for developing entrepreneurial skill is there for important. Entrepreneurship skill is essential to growth and development has been conceived by a successive government as a program of activities to enhance the managerial knowledge, skill, behaviour and attitudes of individuals and groups to assume the role of entrepreneurs. Entrepreneurship skill is a knowledge demonstrated by action or the ability to perform in particular business activities. Entrepreneurship skill acquired through training and education. Education and training can be acquired and apply the entrepreneurship skill that helps him or her to achieve the goal of business. Managers or owners must possess entrepreneurial skill in order to reduce failure rate, increase profit and achieve business growth. Many SME's in Ethiopia suffer from a lack of technical and business skill. MSE does themselves identify a variety of skill gaps in the area including ICT, technical and industrial knowledge.

Statement of the problem

In developing country the SME's face a challenge related to capital and people resource, in addition to this, the SME's have a problem as many surveys indicated; the main problem of SME's beyond the capital and financial resource, lack of entrepreneurship skill significantly affect their growth and development, not on the local market. It shows that they are not on taking advantage of potential business opportunities and being innovative into their business ideas until the market has saturated with the copycat enterprise. Furthermore, most of the MSE's in Ethiopia cannot recognise the opportunity that created around their business and if no attempts is made by improving on entrepreneurial skill for the MSE's entrepreneurs they may not become useful in their business. Concerns have raised about the destination which appears to exist between entrepreneurship skill and growth and development of SME's. In the above reference, this study, therefore, intended to examine the role of entrepreneurship skill on growth and development of small and micro enterprise in the selected small and micro-enterprise in case of Arba Minch town.

Research questions

- (i) Is an innovative skill possessed in MSE's?
- (ii) What are the barriers for the growth of the MSE's in Arba Minch town?
- (iii) What are the ways that the enterprises recognise the available opportunities for their growth?

- (iv) What are the challenges the entrepreneurs face in making MSE's profitable and ensuring their growth and development?

The objective of the study

The general objective of the study

The general aim of this research was examining the role of entrepreneurship skill on growth and development of small and micro enterprise in selected small, and microenterprise in case of Arba Minch town.

The specific objective of the study

- (i) To assess the existence of innovative MSE's.
- (ii) To identify the barrier for the growth of small and micro enterprise in Arba Minch town.
- (iii) To ascertain the ways the small and micro enterprises recognise the available opportunities for their business growth in the enterprise.
- (iv) To assess the challenges, the entrepreneurs face in the making MSE's profitable and ensuring their growth and development

Limitation of the study

The researcher has faced the following limitation when conduct this research, lack of experience of doing the research, lack of sufficient reference book, lack of sufficient time and resource, lack of gating organised information and respondents may not give information openly are the main. In addition to this, the research will not cover all small and micro enterprises found around the town because of deferent resource limitation.

Review of Related Literature

Entrepreneur and entrepreneurship

Entrepreneurship: it is the activity, which creates jobs. The reason behind that, organisations cannot accommodate to hire all skill person cannot create their jobs to become entrepreneurs. Entrepreneurship is a dynamic process of creating the wealth this wealth is created by individuals who assume the significant risk in terms of quality, time and career commitment of providing value for some product or service, (Hailey 2007).

Entrepreneurship can define in many ways, and four critical elements found in most definitions are the vision, risk-taking, organising skill, and innovation. Entrepreneurial vision encompasses the persistent quest for operational excellence innovation and being responsible to the needs of the market. The innovation could be process innovation, market innovation, product innovation, factor innovation and even organisational innovation. These four elements are interrelated and form continuous process in business, (Petter 1995).

Entrepreneur: The word "entrepreneur" has derived from the French verb "entrepender" this means "to undertake". The word entrepreneur means one who takes the risk of starting a new organisation or introducing the idea, product or service to the society (Hisrich and peters). Hombly (2006) also defined an entrepreneur as a person who makes money by starting or running a business, especially when this involves

taking financial risks. However, Shane and Venkatarman(2010), an entrepreneur is" one who undertakes innovations, finances and displays business to transfer innovation into economic goods."

Entrepreneurship skill development

It is defined as the gradual growth of something so that it becomes more advanced and stronger, (Homby 2006). It varies slightly from what a federal nation development program (UNDP report 1999). We defined entrepreneurship development as referring to the process of enhancing entrepreneurial skill and knowledge through structured training and institution-building programs. Entrepreneurship development aims to enlarge the base of entrepreneurs in order to sustain the pace at which new venture created.

The role of entrepreneurship skills on the growth of SME's

Ethiopia is one of the fastest developing countries in the world. Small and micro enterprises are the major players in economic resurgence. They are instruments of change and vehicles of growth and diversification. Today's rapid industrialisation is one of the most pressing needs for many countries in the African continent even in the world, and it is a result of proper entrepreneurship skill implementation. The small and micro-enterprise or industries occupy a strategic position and play a vital role in fulfilling the Scio-economic objective of any nation, their growth and development have based on better innovative, administrative and smooth relationship with customers and societies to create a favourable business environment to take competitive advantage in the countryside even in the world market. So that entrepreneurship skill is a backbone for overall activities of the SME's.

Challenges of entrepreneurs

Entrepreneurs face many challenges in today's competitive environment. Fortunately, contemporary times also blessed entrepreneurs with more resources for taking those problems that ever before. Cash flow management: cash flow is essential to small business survival. Still, many entrepreneurs struggle to pay the bill, while they are waiting for checking to arrive in part of problem system from delayed, (Tanya Roberson, 2004). Time management: it is the biggest challenge faced by entrepreneurs. If they only had more time, to accomplish so much more activities,(Tanya Roberson, 2004). Finance: one of the biggest challenges for entrepreneurs is involving dealing with finance. For new entrepreneurs, it is often tricky to rises enough capital to start up their companies even the business has established. Entrepreneurs have a hard time obtaining loans and lines of credit,(Tanya Roberson,2004).

Self – motivation: while many people have used to having asset work schedule and routine they must adhere things are little difference with entrepreneurs, while self-employed,(Tanya Roberson, 2004).

Entrepreneurs also face problems perhaps starting the day he or she identifies the business idea. The challenges faced by entrepreneurs can emerge as internal and external. External problems are those that result from the factor that is beyond the direct control of entrepreneurs. The internal factors are choosing of the business idea, inexperience, lack of skill, failing to plan, poor product quality and management problem,(Dawit Araga and Dawit Ayalew, 2005).

Research design

The researcher used a descriptive type of study because the study needs to describe what the reality is and what exists within a situation such as current practices, etc. of a different aspect of research. Since the aspect of this research will concern with the role of entrepreneurship skill for growth and development of small and micro enterprise in case of Arba Minch town.

Source of data and method of data collection

To address the primary research questions and to acquire the real sources in the process that make the study unquestionable and to have full and valuable data the researcher used both primary and secondary sources of data. The primary data was collected from entrepreneurs in selected small and micro enterprises in Arba Minch town by structured questionnaire. In the questionnaire, both open and close-ended questions were raised and distributed to the target group. Secondary data had obtained from documents. Such documents include government policies, reports, published books and other materials related to the study.

Sampling techniques and sample size determination

In this study, the researcher uses a stratified sampling technique to categorise the target population into different sectoral groups and select respondents by using simple random sampling technique for each stratum than the questionnaire distributed for selected respondents. To determine sample size the researcher use scientific formula. When the sample has used, there is also sampling error which occurs in the process of taking a sample. This error can be decreased by taking a large number of sample size depending on this assumption the researcher estimate 10% of sample error at the time of sampling and use the following formulas to calculate sample size. The total population of the study taken from the three sectors(service, construction and manufacturing) are 807 entrepreneurs.

Source of formula:

$$\text{Where } N = \text{Total population, } n = \text{sampling size, } e = \text{error (10\%)}, n = \frac{N}{1 + N(e)^2}$$

The population have divided into three strata depending on their sectorial activities. The sample size from all strata is 89. The population was 327 of service, 240 of manufacturing and 240 of construction. To take a sample from each stratum, the researcher used a stratified sampling technique based on the sample size that is 89 and selected from each stratum as follows.

$$\text{Service } (n) = \left(\frac{327}{807}\right)89 = 37$$

$$\text{Manufacturing } (n) = \left(\frac{240}{807}\right)89 = 26$$

$$\text{Construction } (n) = \left(\frac{240}{807}\right)89 = 26$$

Method of data analysing

Examine the collected data from both primary and secondary sources. The study has using different data analysing technique. The data that obtained from the close-ended items the questionnaire analysed quantitatively by using frequency count and percentage and interpret them in the form of tabulation and statement form, while the data acquired from open-ended items of the questionnaire and another document will analyse through statement form.

Conclusion

Based on finding the researcher conclude the following-

Even though the government gives support for MSE's entrepreneurs on the aspect of entrepreneurial skill, still the result is not satisfactory as the data are taken from the respondent indicates.

The majority of the respondents say that their business growth level has reduced. So that as the data obtained the barrier for their growth is deferent infrastructural problems like road, water supply and electrical problems as replied by the respondents.

Though innovative in adding value to business growth have proper role innovative ability of MSE's entrepreneurs low as a result of this the extent to which adding value to the business is low as majority of the respondent says.

MSE's entrepreneurs recognise the opportunity that created around their social and business environment in different ways. Those ways are: gathering information concerning the business environment, meeting the demand that is not met by their competitors, and developing new product and providing new service for customers ahead of their competitors, but recognizing opportunity has not satisfactory result on MSE's growth and development because the ability to assess the business environment less in MSE's.

Recommendation

The researcher indicates the entrepreneurs should give attention to using and improving entrepreneurial skills. In addition to this, the government should provide to support in improving entrepreneurial skill through both on the job and off the job training combine to make practical.

It is better the government to provide infrastructural facilities to reduce the barrier on the growth of SME's through different means it may be by improving the current capability of infrastructures; it may be by maintaining nonfunctional infrastructural facilities.

Researchers believe that the entrepreneurs of MSE's should to have an experience of sharing basic ideas or experience with other entrepreneurs regarding innovation and creativity.

The researcher recommends that the entrepreneurs of MSE's are better to gather information about the business environment through conducting research, asking the need of the customers, etc.

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