

# “Assessment of Selected Micro and Small Entrepreneurship Performance and Challenges”

(A Case Study of Secha sub-city of Arba Minch, Ethiopia )

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## Abstract

This research paper concerned about assessing the determinant factor those affect the success of some selected MSE in ARBA MICH TOWN SECHA SUB CITY the main reason for conducting this study was to assess the success factor of MSE IN ARBA MINCH TOWN SECHA SUB CITY. To conduct this study both primary and secondary data would use the primary data collected through a questionnaire and an interview from the owner-manager. The secondary data have collected from online, books and MSE documents'. The total population was 460. The researcher would be used stratified random sampling those were drawn from each group (manufacturing construction and service) and took sample from each 15, 30 and 37 respectively .which were taken from total sample size of 82 individuals .descriptive data analysis would be used to analyze quantitative and qualitative data by using table bar graph and percentage finally the researcher would occlude and recommendation has forwarded.

**Keywords;** Micro and small enterprise, Manufacturing organization, Infrastructure, business owners, Ethiopian Small Enterprise

## Introduction

Micro and small enterprise sector is recognised as growth and development engine long ago, and countries are benefiting from it by designing various development strategies for this sectors in economic terms, and micro business enterprise plays a significant role in the market and has managed by its business owners.

Moreover, it is independent in the sense that it does not become part of the large enterprise, and the owner and Manager should be free from outside control in taking their principle decision. Micro and small enterprise can be service rendering, manufacturing organisation, industry, trade, agriculture and construction. In Ethiopia, few empirical studies deal with the factors that affect the success of the micro and small enterprise.

Several factors that affect micro and small enterprise some of them are, availability of materials, production technology, finance, marketing structure, governmental policy, the existence of illegal business and availability of restructuring: infrastructure and less trading and management practice. (Paus burn and Jimdew Huret, 1996).

Micro and small enterprise is those business enterprise with a paid capital of less than by 20000 Birr(Ethiopian Currency) and technology establishment. Micro and small enterprise is one which employees fewer than ten employees, a small enterprise as one with 11-15 employees. Even though, there are more factors of micro and small enterprise in Arba Minch town, the priorities challenges which the study would to focuses were lack of capital, marketing price, promotional activities, government policy. Illegal business, social network and a managerial problem of the enterprise.

## **The Objective of the Study**

### **1-General objective**

The general objective of the study is to analyse the determinant factors that affect the success of MSE at Arba Minch town in Secha sub-city.

### **2- Specific Objective**

- (i) To identify the impact of government policy on MSE
- (ii) To identify the determinant factors that affect the success of MSE
- (iii) To assess the impact of illegal business on MSE

### **The Significance of the Study**

- (i) The study has provided new information about the determinant success factors of the micro and small enterprise for the administration of Arba Minch town Secha sub-city to take corrective action.
- (ii) The study would give promoting and encouraging entrepreneurs and investors.
- (iii) It will help the researcher to improve the experience in conducting research.
- (iv) It would help other researchers as a guideline.

### **The Scope of the Study**

Even though, there is a different issue that can be researchable concerning MSE

This study was focused only on the determinant factors that affect the success of MSE in Arba Minch town (Secha sub-city).

### **Limitation of the Study**

In research conduction process the researcher might observe the weakness of employees.

Time constraint and the financial shortage has created.

The scope of the study would be limited to the researcher in order to look at other research

## Literature Review

### Ethiopian Small Enterprise

Micro and small enterprise is a significant feature of the economic land scopes in all developing countries today. Many third world governments accept the contribution of these enterprises to the creation of job opportunity and the alleviation of poverty and they have given priority in many development plans as well as in the strategies of many donors (Liedl and Mead, 1999). Small scale enterprise, as well as industries in Ethiopia, have not been a lot of contributes needed to the economic development participation because of technical knowledge.

Production and marketing problem and these problems are significant hands caps to their development lack of finance and credit are significant factors that affect the success of Ethiopian small enterprise. Small enterprise unit does not have natural access capital from the market because they mostly organised property basis and very small in size they do not have access to an industrial source of finance partly .small enterprise find it challenging to get away of materials of goods quality at a cheap price they do not get raw materials in time. Small business can be defined in many different ways a study by beaver and Jennings (1995).stated that the most commonly adopted definition of success is financial growth with adequate profit the study concluded that being able to define success whether generally or specifically is not the same as explaining success. Another definition of success is equally applicable. Furthermore, the techniques of production which enterprise usually adopted out data because of they are low productivity suffers much small business enterprise is suffering from the problem of marketing their product (Paul Purn and Jimdew Hurt, 1996).

Many other issues are related to managerial quality. Small business is essential for government bodies illegal business that does not pay any tax to the government; their tax advantage is to reduce the cost of this illegal business. This society of low-income groups customers is more sensitive to price than others a price (Poul Born and Dewhurst, 1998).

### Research design

The study used a mixed research approach because qualitative research approaches help to explore the issue to understand the fact and also to answer the research question. The quantitative approach may help to organise and interpret the respondents. The study used descriptive research design because it helps to describe determinate the success factors of affect MSE, and describes the data collection. It often uses a visual aid to the reader in understanding the data collection.

### Target Population of the Study

The target populations of the study business owner, managers and employees in secha sub-city of Arba Minch. The researcher has selected the high populations as a target population because they had well aware of success factors MSE information.

### Sampling Size and Sampling Techniques

- The method of sampling for data collection was by using the following formula
- The researcher used the formula of (Israel, 2007).
- $n = \frac{N}{1 + N(e)^2}$  whereas n=sample size
- N=Total population
- p= probability of success
- e=error

Stratified random sampling was used to get information from different size of the MSE. This technique is preferred because it is used to assist in minimising biased when dealing with the population. Sampling frame could organise into a relatively homogenous group before the select element of the sample. The researcher used stratified sampling techniques because these techniques divided the population into homogenous subgroups. The total population of a micro and small enterprise was 460 from this the researcher took 82 as sample size which represents 10% of the population. However, the researcher would select 67 respondents with because of the lack of budget and time constraints.

No	Strata	Population	Sample each strata
1	Manufacturing	84	15
2	Constriction	170	30
3	Service	206	37
	Total	460	82

$$\text{Manufacturing} = 84 * 82 / 460 = 15$$

$$\text{Constriction} = 170 * 82 / 460 = 30$$

$$\text{Service} = 206 * 82 / 460 = 37$$

### Factoring Affecting Success of MSE

What are the major factors affecting the success of MSE.

As per the information, it shows that the manager of MSE, describes a different type of problems like marketing problem, limited working space, promotional problem, lack of capital, lack of proper record keeping, financial control, limited, limited access for training, management skills, suitable infrastructure, lack of cooperation and competition and others.

### Government policy

According to the MSE manager idea, government policies are currently available to the enterprise and government support by reducing the tax and expanding the business.

### How to Minimise or Reduce of Success Factors

The MSE managers responded that to determine the success factors we have been used deferent kinds of remedial action to reduce this problem by creating awareness within the society about the critical advantage of the enterprise in order to support the business by supply enough working space for their production. Building infrastructure in order distributed the output easy to market facility trading and development control development for employee properly use of record keeping and finical control develop saving culture favourable policy increase the supply of raw material and facility's borrowing service.

## Conclusion

In the analysis section, detailed interpretation and discussion have made. Now the researcher has concluded and then recommended that of the analysed data. Many of the owners and managers in the MSE males and this indicated that there was no equal distribution among female and male.

Most of the respondent on this sample were young people and unmarried who were very powerful for the production increase and generally to success the primary goal of that business.

As the data indicated most of the respondent were high school completion others were not more educated this implies that they faced lack of knowledge and they would need some training or be learned more in order to have a very skilled and professional person who can run the business effectively and efficiently.

The majority of a small enterprise was beginning with a capital of less than 20,000; they had a weaker financial position due to that they were labour intensive. Most of the respondents said that small enterprise had a managerial problem and only a few them respondents that they had no problem it shows that the enterprise had no excellent management that would help them to solve their problem. The government taxation policy was a favourable condition for a business firm in order to motivate expand and job opportunity for unemployed people. On the existence of an illegal business, the majority of the respondent that were was no illegal business some offer few respondents that there was no illegal business some offer few respondents said that there was a legal business and its significant impact on their MSE decrease the price of the product by competently with them. Small business also had marketing problem this problem was related to the increase in the price of raw material or input that used in operation even though there was a lack of raw materials was the most success factors. It shows that the cost of MSE for purchasing raw materials was high and it reduces profitability and productivity.

Majority of the enterprise manufacturing, construction and service faced a shortage of working space in addition to this there was a lack of suitable infrastructure, lack of promotion, lack of efficient distribution channel, trading and management practice, less support from large enterprise, low level of competition others business organization were a significant negative impact on the success of MSE. In this study, the existence of a favourable business environment has a significant positive contribution to the success of MSE, in an unfavourable environment were facing challenges and were not able to improve their success. The capital is one of the critical sources that help the enterprise for the whole organisation of their business, but the majority of respondents said that there was no sufficient capital to continue their business. Finally, the respondents responded that they had borrowed from the government and little enterprise borrowed from the bank. From this, the researcher concluded that the government was one of the sources for their capital by leading them.

## Recommendation:

Based on the finding of this study, the researcher found it essential to make some recommendation to guide the enterprise other concerned bodies and researcher.

Female participation can increase if the government support and initiate them through education and visualising the importance of MSE by planning different strategies like training and applying an affirmative plan of action.

Education/training of the managers and owners of the enterprise is better to perform their activities efficiently and to improve their knowledge about business and others.

Ideas sharing programs with other enterprise is better to increase experience and enterprise should train by professionals how to develop a business plan.

The culture of cooperation and formal and informal should improve by taking the work of successful enterprise as an example.

The quality and accessibility of infrastructure should considere provided working space to the enterprise.

Enterprise should from supply chain management and support each other to minimise their raw materials and related problems.

The government and other concerned bodies should study the future condition and feasibility of the business environment to arrange it in a way it can support the enterprise continuously and permanently.

Social awareness and commitment of medium and large enterprise must be enhanced to support MSE.

The government should develop a rich source of finance for MSE by organising and supporting the success of MSI and another source of finance. The government should have created awareness for a business enterprise to develop a saving culture and motivate them in order to create more job opportunities.

The government should offer a favourable business environment incorporation with the society other potential organisation.

A different problem with different degree perceived impact of MSE can be addressed at different times in a different way depending on the availability of resource and situation in the operating environment. Hence, continuous detail research on each sector should be undertaken to identify the significant problems.

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