ASSESSMENT OF FACTORS AFFECTING THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES /MSEs/: THE CASE OF MEKELLE CITY ADMINISTRATION, TIGRAY

MEKELLE UNIVERSITY

A Thesis submitted to the School of Graduate Studies of Mekelle University in partial fulfillment of the requirements for the Degree of Master of Business Administration (MBA)

By:Gergs Tesfanchial Teklehaymanot

ID.No:cbe/mbart/00014/16

Advisor:Mulu Aderie/phD/

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Declaration

I, Gergs Tesfanchial Teklehaymanot, have by declare that the thesis entitled "factors affecting the performance of Micro and small enterprises (MSEs) A Survey in Mekelle City Administration submitted by me, for the partial fulfillment of the Master of Business Administration to Mekelle University, based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted to Mekelle University or any other institution.

Gergs Tesfanchial Teklehaymanot _____ _____

Signature *Date*

Mekelle University, Tigray.

Statement of Certificate

This is to certify the thesis entitled “Factors Affecting the Performance of Micro and Small Enterprises (MSEs)”: The Mekelle City Administration submitted to Mekelle University for the award of the Degree of Master of Business Administration (MBA) and is carried out by Gergs Tesfanchial Teklehaymanot under my guidance and supervision. Therefore, we hereby declare that this thesis has not been submitted to Mekelle or any other university.

Mulu Aderie (Ph.D)	_____	_____
Name of Advisor	Signature	Date

Approval Sheet

Advisor ----------signature----------Date----------

Internal Examiner ----------signature----------Date----------

External Examiner---------- signature----------Date----------

Acknowledgment

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List of Acronyms

CSA	Central Statistics Agency/Authority
EDC	Entrepreneurship Development Center
DV	Dependent Variable
FDRE	Federal Democratic Republic of Ethiopia
FMSEDA	Federal Micro and Small Enterprises Development Agency
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
ICTs	Information and Communication Technologies
ILO	International Labor Organization
IV	Independent Variable
McMSEs	Mekelle City Micro and Small Enterprises
MoFED	Minister of Finance and Economic Development
MoTI	Minister of Trade and Industry
MSEs	Micro and Small Enterprises
SPSS	Statistical Package for Social Science
ROI	Return-On-Investment
TMSEA	Tigray Micro and Small Enterprises Agency
UNDP	United Nation Development Program

Abstract

This study assesses the key factors influencing the performance of Micro and Small Enterprises (MSEs) in Mekelle City Administration, Tigray, Ethiopia, recognizing their critical role in economic growth, job creation, and poverty reduction, particularly in developing economies. The primary objective was to identify and analyze the impact of financial factors, infrastructural challenges, and institutional coordination problems on MSE performance. Employing a quantitative research design, the study collected primary data through structured questionnaires distributed to 394 MSE owners selected via stratified and simple random sampling techniques from a population of 25,559, achieving a 90.1% response rate. Data were analyzed using descriptive and inferential statistics, including correlation and multiple regression analyses via SPSS version 22.

The study revealed that financial factors, such as high collateral requirements (mean=4.52) and complicated loan procedures (mean=4.55), were the most significant barriers to MSE performance, followed by severe infrastructural deficits such as inadequate water supply (mean=1.22) and unaffordable electricity (mean=1.30). Institutional coordination issues, including weak inter-organizational relationships (mean=1.65) and ineffective communication (mean=1.75), further constrained performance.

Regression analysis indicated that these factors collectively explain 66% of the variance in MSE performance, with financial (β=0.325) and infrastructural factors (β=0.314) being the most influential. The study concludes that limited access to finance, poor infrastructure, and weak institutional coordination significantly hinder MSE growth. It is recommended that financial institutions and government bodies simplify loan processes, reduce collateral demands, increase funding, improve utility services and infrastructure, and enhance inter-institutional coordination and governance to foster a more supportive environment for MSE development and economic contribution.

Keywords: financial access, infrastructure, institutional coordination, Mekelle city, micro and small enterprises, performance, Tigray.

CHAPTER ONE: INTRODUCTION

1.1. Introduction

This chapter provides a brief background about MSES that leads the reader to understand the key concepts of the background of the study, followed by a statement of the problem, research questions, research objective, research hypothesis, scope of the study, significance of the research, limitations of the research, organization of the study as well as Operational definition of terms was discussed**.**

1.2. Background of the study

Menda (2015) cited in Tlahun (2019) stated that this sector generates about 48% of the aggregate employment in North Africa, 51% in Latin America, 65% in Asia, 72% in Sub-Saharan Africa, 6.2% in the United States, 22.3% in China, 80% in India, 67% in Japan, and 70% in European countries.

Micro and Small Enterprises (MSEs) are described as a key driving force of economic and social development all over the world. Liadhom (2000), cited in Mulugeta (2014), stated that the MSEs are critical to a country's economic and industrial growth. MSEs contribute significantly to a country's economic and social growth by stimulating large-scale jobs, investment, the promotion of entrepreneurship and innovativeness, increasing exports, and building an industrial base at different scales. Throughout the world, it is acknowledged that Micro and Small Enterprises (MSEs) play a vital role in socio-economic development as a means for generating sustainable employment and income (ILO, 2003).

Micro and Small Enterprises (MSEs) are described as a key driving force of economic and social development all over the world. Debela (2014) stated that the MSEs are critical to a country's economic and industrial growth. MSEs contribute significantly to a country's economic and social growth by stimulating large-scale jobs, investment, the promotion of entrepreneurship and innovativeness, increasing exports, and building an industrial base at different scales.

Abera (2012) stated that MSEs are widely acknowledged as an important component of economic growth and a key component in the effort to lift countries out of poverty. The dynamic role of MSEs in developed countries as engines for achieving country growth objectives has long been recognized. MSEs employ 22 percent of the adult population in developing countries, according to an estimate of Abdulmelike et al. (2018). This indicates that MSEs are a significant means to increase the country's economy, industrial growth, to overcome unemployment problems, and can facilitate the environment for new job seekers and self-employment, and poverty reduction. MSEs are important sources of jobs and economic development in developed countries, accounting for more than 50% of GDP and 60% of employment. However, in developing countries, MSEs account for less than 30% of employment and 17% of GDP (Mulugeta, 2014). According to an ILO (2003) study conducted in Africa, just 20% of the total populations of working age in many African countries were reported to have been working in the small enterprise sector. The MSE sector has also been a means in contributing to economic transition by providing goods and services, which are of adequate quality and are reasonably priced, to a large number of people, and by effectively using the skills and talents of a large number of people without asking for high-level training, a large amount of capital or sophisticated technology (ILO, 2008). Similarly, Lara and Simeon (2009) stated that the MSE sector generates substantial employment and economic output in many countries. MSEs' share of general employment tends to be higher in developing countries, which are typically more focused on small-scale production.

In Ethiopia, according to the Entrepreneurship Development Center (EDC) of Ethiopia, before the COVID-19 pandemic, there were 1.5 million MSEs employing about 4.5 million people. Following agriculture, MSEs are Ethiopia's second most important source of employment generation (CSA, 2005). A national survey conducted by the Ethiopian Statistical Authority (CSA, 2005), the sector contributes 3.4% of GDP, 33% of the contribution of the industrial sector, and 52% of the contribution of the manufacturing sector to the GDP of the year 2001 (CSA, 2005). Despite the importance of the micro and small enterprises (MSEs) sector to Ethiopia's economy in terms of job creation and poverty alleviation, the sector is facing many problems such as lack of access to finance, insufficient infrastructure, marketing problems, a small loan size, etc., that have limited its ability to play a role in the economy (Gebrehiwot and Wolday, 2005).

A study conducted by the Ethiopian CSA discloses that their contribution is very low compared with other countries due to financial problems, lack of qualified employees, lack of proper financial records, marketing problems, lack of raw materials, lack of information about market opportunities, and standards and regulations are among the factors hindering their performance (G., 2009). In addition to those studies, Ethiopia, as one of the Sub-Saharan developing countries, has also been confronted with several factors that affect the performance of MSEs. The major factors include financial problems, lack of qualified employees, lack of financial records, marketing problems, etc. (Woretaw, 2010). MSEs Development agencies were established at the Federal and Regional levels to give support and follow up on the MSEs' operation.

Similarly, Tigray Micro and Small Enterprises Agency (TMSEA) was established to assist MSE business owners by providing training, financial facilities, providing work and selling sheds, creating market linkages, and some related things to the development and expansion of MSE. This development is expected to continue the industrial transformation by importing new experience, technologies, and sharing with performance of MSE owners. Tigray has recognized and paid attention to the development of MSEs, because they are important vehicles to improve the challenges of unemployment, economic growth, and equity within the region.

In Tigray, there were around 117,234 MSE owners as of (FDRE, 2011). Mekelle city Administration presents a unique and critical case study due to its status as a major urban sector emerging from a severe, recent conflict. In Mekelle city administration, there are 25,559 MSEs (Mekelle City Office of Micro and Small Enterprises, 2012). Mekelle city Administration also has its own MSEs development office. Therefore, this study aimed to investigate factors that affect the performance of micro and small enterprises (MSEs) concerning financial, infrastructural, and institutional Coordination problems (factors) in the study area.

1.3. Statement of the problem

Micro and small enterprises (MSEs) are crucial and a key to sustainable growth and development in almost all economies around the world, especially in developing countries. According to Okapara and Wynn (2007), MSEs are widely regarded as the driving force behind economic development, job creation, and poverty reduction in developing countries. They have been a

vehicle for achieving accelerated economic growth and rapid industrialization. In Ethiopia, MSEs have a tremendous potential to generate employment for the majority of the urban labor force (Yetnayet, 2020). According to the Ethiopian government's strategy, Growth and Transformation Plan (2012), Micro and small businesses are the bridge to achieving the government's goals in Ethiopia.

In spite of having all these contributions, MSEs found in developing nations like Ethiopia face a wide range of constraints, and they are often unable to address the problems they face on their own. There are considerable doubts about the quality of management in their sector with policy-makers suggesting that there are particular weaknesses in a lack of both equity and debt financing, insufficient infrastructure continue to face significant challenges in terms of growth and development, including a lack of both equity and debt financing, insufficient infrastructure, technological, lack of managerial and expertise support, lack of financial management, high interest rates, high collateral requirements and government bureaucracy during obtaining and renewing business licenses factors (Woldesadik and Lemma, 2016).

For example, infrastructural factors affect the MSEs' Business performance: if there is adequate access to infrastructure such as road access, electricity, water, transportation access, etc., the MSEs owner can access reliable and quality products and services to their customers. If customers can get reliable and quality products and services, they can satisfy and increase their loyalty to the MSEs. The same is true if there is access to finance, access to adequate technology, and good institutional coordination, etc. If not, their business performance can be faced with different kinds of challenges. Many studies have been undertaken on factors that affect the performance of micro and small enterprises. For instance, the study done by Batisa (2019) on MSEs operating in Nigeria reports that the absence of management experience of the small business owners is the main reason for small business failure in Nigeria. The result of the study indicates that most business owners who do not have management experience and adequate training and skills to operate a business faces a problem of collapse of their businesses.

The study done by Ethiopia CSA explained that the contribution of small enterprises in job-creating opportunities and the development of our economy is important (Abdissa and Fitwi, 2016). However, their contribution is very low in comparison with that of other countries due to financial problems, lack of qualified employees, lack of proper financial records, marketing

opportunities, lack of working premises, and raw materials. This problem fails these businesses to expand the effect of preventing almost from the beginning of their operations. This means that if the MSEs cannot get support from governments, effective and skill training, financial and non-financial support, working premises, and raw materials, MSEs Business cannot play a very significant role in the economic development. In Tigray region, MSEs have a problem of finance when establishing the business most individual sources of finance come from personal savings and loans acquiring from relatives, friends and money lenders with high amount of interests, and have technical skill gaps and technologies (Gebretsadik and Gagoitseope, 2020). In addition, the studies were conducted several years ago, and there have been economic, political, and socio-cultural changes since then. Any good policies and strategies need to rely on timely information if they are to promote micro and small-scale enterprises with the view to increasing their contribution to poverty reduction and economic growth. The war in northern Ethiopia greatly affected the multiple dimensions of the businesses of MSMEs and marginal economic actors.

Therefore, this study focused on investigating factors affecting the performance of MSEs regarding the four independent variables, which are financial factors, infrastructural, institutional coordination, and access to business information service factors in the study area. In doing so, this study addressed the factors affecting the performance of MSEs in four sectors, namely, manufacturing, and service, trade, and construction sectors.

1.4. Research questions

Conducting a comprehensive study that includes all possible factors affecting MSE performance would require extensive resources (time, funding, and manpower). By narrowing the focus, the researcher ensures the study remains manageable and feasible within the given constraints, and the study was conducted to provide answers to the following research questions:

1. How does access to finance affect the performance of MSEs in the study area?
2. To what extent does infrastructure affect the performance of MSEs in the study area?
3. How can the institutional coordination problem affect the performance of MSEs in the study area?

1.5. Objectives of the study

1.5.1 General objectives of the study

The general objective of this study is to identify the factors affecting the performance of Micro and Small Enterprises (MSEs) in the Mekelle city Administration.

1.5.2. Specific objectives

The specific objectives are;

- To investigate the key financial factors that affect the performance of MSEs in the Mekelle city administration.
- To analyze the impact of infrastructure /Electricity, water, road, waste management /on the performance of MSEs in Mekelle city Administration.
- To investigate the level of institutional coordination problems those affect the performance of MSEs in the Mekelle city administration.

The decision to limit the study's specific objectives to only a few key factors (financial, infrastructure, and institutional coordination), was a deliberate and strategic choice aimed to ensuring depth, feasibility, and clarity in the research. By focusing on these prioritized areas, the study could provide a rigorous and nuanced analysis without becoming unmanageable, allowing for robust statistical evaluation and meaningful, actionable insights, while also aligning directly with the core issues highlighted in the problem statement and existing literature.

1.6. Research hypothesis

According to Leedy et al. (2010), the research hypothesis is a reasonable assumption, an educated guess, and its purpose is to provide a temporary objective, an operational target, a logical framework that guides researchers as they collect and analyze data. With the help of appropriate empirical data on the factors affecting the performance of MSEs, this study tested the following hypothesis.

Hypothesis 1

Ho: Access to finance doesn't positively and significantly affect performance of MSEs.

Ha: Access to finance positively and significantly affect performance of MSEs.

Hypothesis 2

Ho: Infrastructural distribution doesn't positively and significantly impact on performance of MSEs.

Ha: Infrastructural distribution positively and significantly impacts on performance of MSEs.

Hypothesis 3

Ho: Institutional coordination doesn't positively and significantly affect performance of MSEs.

Ha: Institutional coordination positively and significantly affects performance of MSEs.

1.7. Scope of the Study

This study is conceptually delimited to assessing the influence of financial factors, infrastructural factors, and institutional coordination on the performance of Micro and Small Enterprises (MSEs) in the Mekelle City Administration of Tigray. Methodologically, the research adopts a quantitative approach, utilizing a descriptive and explanatory design, with data collected through structured questionnaires from a sample of 394 MSE owners selected via stratified and simple random sampling from a population of 25,559 across trade, service, manufacturing, construction, and urban agriculture sectors. Temporally, the study is based on data collected in 2025, reflecting post-war conditions following the Tigray war, while geographically, it is confined to Mekelle City, located approximately 780 km north of Addis Ababa, and does not extend to other administrative zones in Tigray. The study further restricts its focus to enterprises classified as micro or small according to the FeMSEDA (2010) definition, excluding medium and large enterprises due to constraints related to cost, time, and accessibility.

1.8. Significance of the Study

The findings of this study are expected to be of great significance to a wide range of stakeholders. The benefits are presented in descending order of importance, starting with the primary actors most directly impacted. First and foremost, Micro and Small Enterprise (MSE) Owners and Operators will benefit from a comprehensive diagnosis of the key constraints, financial, infrastructural, and institutional that hinders their performance, empowering them with

knowledge to advocate for their needs and make informed strategic decisions. Secondly, Governmental and Policy-Making Bodies (such as the Tigray Micro and Small Enterprises Agency and the Mekelle City Administration) will find the study a vital evidence-based tool, offering timely, empirical data to guide the planning and implementation of targeted policies and intervention strategies for MSE development and post-war economic recovery. Thirdly, Financial Institutions (Banks and Microfinance Institutions) can use the insights into specific financial pain points to develop more accessible, MSE-friendly financial products and services, thereby expanding their client base and contributing to a more inclusive financial ecosystem. Furthermore, Academicians and Future Researchers will find the study an important addition to the existing body of knowledge, providing a recent dataset and a validated conceptual framework for the under-researched context of the post-war of Tigray, while also identifying gaps for future research. Finally, Consultants and Development Practitioners can utilize the detailed analysis and recommendations as a practical resource to inform the design of training modules, business development services, and project proposals. In summary, this research is a practical tool designed to first empower MSEs themselves, and then to guide the actions of government, financial partners, and other stakeholders toward creating a more conducive environment for MSEs to thrive and contribute to local economic development.

1.9. Limitations of the study

The researcher faced conceptual, methodological, temporal, and geographical limitations, along with financial constraints and time shortages, which affected the study's quality. Conceptually, the study was limited to only three factors: Financial, Infrastructural, and Institutional Coordination. Methodologically, it relied solely on quantitative data and a single instrument. Temporally, it depended heavily on outdated sources, failing to fully capture recent economic and policy shifts. Geographically, it was confined to Mekelle City, limiting generalizability to other areas. Financial and time constraints restricted the scope and depth of data collection, and some respondents were unwilling to provide reliable information. Despite efforts to mitigate these challenges through financial support, time management, and organized conduct, the study offers a valuable but incomplete and context-specific understanding of MSE performance in Mekelle. It identifies key correlations but lacks explanatory depth, excludes other potential

factors, and faces representativeness issues, underscoring the need for more in-depth, mixed-methods, and updated future research.

1.10. Organization of the paper

The study is organized into five major chapters. The first chapter presents the information concerning with background of the study, followed by a statement of the problem, research questions, research objective, research hypothesis, scope of the study, significance of the research, limitations of the research, organization of the study, as well as Operational definition of terms. The second Chapter focused on reviewing related literature. It includes a brief description of the literature review, such as theoretical reviews and empirical findings, conceptual framework of the study, which was subsequently related to the study. The third chapter contains a brief description of the study area, research design such as research design and methods (data sources, target population, sampling techniques, data collection methods, reliability and validity and ethical consideration, and analysis of the study. The fourth chapter focuses on research findings and results, and chapter five concludes, summarized noticeable points with various recommendations.

1.11. Operational definition of terms

Enterprise: an undertaking engaged in the production and or distribution of goods and services for commercial benefits, beyond household consumption at the household level (internet).

Factors: the economic environment consists of external and internal factors in the business market and the broader economy that can influence a business (internet).

Micro and small enterprises (MSE): can be defined as a group of people working together for financial gain, subject to the limits on the numbers of workers and capital (Michael, 1986:324).

Micro enterprises: an enterprise that operates with 5 (five) people, including the owner and their total asset is not exceeding Birr 100,000 for the industry sector, and that operates with 5 (five) people, including the owner and their total asset is not exceeding Birr 50,000 for the service sector (FeMSEDA, 2010).

Small enterprises: an enterprise that operates with 6-30 persons with a paid-up capital of Birr total asset Birr 100,000 up to 1.5 million for the industry sector and Birr 50,001 up to 500,000 for the service sector (FeMSEDA, 2010).

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter mainly incorporates the theoretical review of different literatures on the definition of micro and small enterprises (MSEs), and empirical studies in the concept of MSEs business performance and influences that challenges the performance of the MSEs operating which is known as independent variables. In this chapter the study was also include the concept of MSEs, role of the MSEs, the concept of performance and its measurements and the conceptual frame work.

2.2. Theoretical Review

2.2.1. Definition of Micro and Small Enterprises (MSEs)

There are no generally agreed-upon concepts of Micro and Small Enterprises (MSEs) business. The concept of MSEs is described differently in different countries, by multilateral organizations such as the World Bank and the United Nations Development Program (UNDP), and by their scale, scope, and geographical location. Different countries define their own definition based on the importance of MSEs in economic growth and develop their own strategies to achieve the objective; deference in their industrial organization at deferent level of economic growth in different parts of the same country may also result in different meaning among countries (Anamekwe, C. 2001). According to Carpenter (2003), the basic metrics used in the definitions could include a variety of factors such as the number of employees, financial profitability, net revenue, comparative scale, initial capital outlay, and industrial categories.

The number of employees, total net assets, revenue and expenditure levels, number of annual working hours, annual turnover, annual balance sheet or amount of output, and freedom from dependency of the organization are some of the commonly used requirements for MSEs classification in different countries (Harjula, 2008).

The number of employees and yearly benefit seem to be the best criteria used to define MSEs (Peaacock, 2004), and (Broom, 1983) argues that although the number of employees is the most commonly used criteria, the best criterion in each case is determined by the users intent. In most cases, MSEs are defined based on the number of people employed in the enterprises, investment

outlay, annual sales turn over, paid up capital or a combination of these measures /Stephen and Wasiu,2013;FDRE,2011/. In a similar manner, the definitions of MSEs given by majority of African countries are used more or less same criteria.

According to Olabisi et al (2013) defined small scale enterprises in Nigeria as an industry whose total project cost excluding cost of land including working capital does not exceeds US$ 500,000 and also MSEs in Ghana defined that Small scale enterprises is a firm with not more than 9 workers, and has plant machinery (excluding land, building & vehicles) & with employee less than five (5) workers. According to Kayanula and Quartey (2000), the official concept of enterprise size in Malawi is based on three criteria: investment capital, employee count, and turnover:-If an organization meets two of the three requirements, it is classified as small scale: it has a capital investment of USD 2,000 to USD 55,000, employs 5-20 employees, and has a turnover of up to USD 110,000 (using 1992 official exchange rate). Some of the main characteristics of small enterprises, according to the same scholars, are mobilizing funds that would otherwise be idle, being a seed-bed for indigenous entrepreneurship, their labor intensiveness, employing more labor per unit of capital than large enterprises, fostering indigenous technical know-how, and using mostly local resources, requiring less foreign exchange.

In Ethiopia, the MSE development strategy defines MSEs according to the number of employees and capital (FeMSEDA,2010), Under Industry sector (Manufacturing, Construction & Mining) Micro enterprise are defined as an enterprises that operates with 5 (five) people including the owner and their total asset is not exceeding Birr 100,000.

Under service sector (transport, hotel, retailer, tourism, ICT and maintenance service) Micro enterprise are defined as an enterprises that operates with 5 (five) persons including the owner and their total asset is not exceeding Birr 50,000 (Fifty Thousand).

Under industry sector Small enterprises are defined as an enterprise that operates with 6-30 persons with a paid up capital of Birr total asset Birr 100,000 (one hundred Thousand) and not exceeding Birr 1.5 million. Similarly under Service sector (transport, hotel, retailer, tourism, ICT and maintenance service) small enterprises are defined as an enterprise that operates with 6-30

persons with a paid up capital of Birr total asset Birr 50,001 and not exceeding Birr 500,000 (FeMSEDA,2010).

Table 1: **Definitions of MSE in Ethiopia**.

Enterprise	**Sector**	**Employee**	**Capital**
Micro enterprise	Industry	< 5	< ETB100,000
	Service	< 5	< ETB50,000
Small enterprise	Industry	6-30	< ETB1,500,000
	Service	6-30	< ETB500,000

Source: FeMSEDA, 2010.

As a result, as we can see from the various definitions above, there is no generally accepted definition of MSEs. Different scholars use their own criteria to describe MSEs based on the degree of development of the topic. In general most definitions of MSEs depend up on the policy makers/financiers, labor officers, traders and service personnel. The common criteria that are used by different countries are:-

- Number of employees
- Asset employed
- Sales turnover or
- A combination of the above factors.

2.2.2. The Role of Micro and Small Enterprises (MSEs) in Economic Growth and Development

In any economy, micro and small enterprises are the engine of growth and development by creating jobs, generating income, stimulating competition, establishing business ventures, and are a source of innovation. The presence of micro and small enterprises in the economy provides a basis for reviewing various aspects related aspects. In terms of increasing the importance of MSEs for the growth and performance of world economy, MSEs are relevant and important businesses in the economic development of a country (Aleksandra and Stojan, 2015).

MSEs are contributing a great value to the country's economy by creating jobs, increasing income, strengthening purchasing power, lowering costs, and adding business convenience.

MSEs and also essential for rapid and sustainable economic growth and development. They also promote growth, reduce poverty, create employment opportunities, enhance capacity building for manpower and skill development, and facilitate industrial development in the society (Hussein and Rahman, 2017).As (Kadiri (2012) pointed out, the phrase "Micro and Small Enterprises" is widely used in the business world because this sector is essential for job creation, national development, poverty reduction, and economic development. Employment perspective is greater for small-sized enterprises than for large corporations and multinational corporations. Micro and small enterprises are critical to poverty reduction, social progress, and economic growth. Economic growth will be accomplished by establishing prosperous industrial enterprises, which will create employment opportunities for the general population in the community in which they work. Job opportunities will increase people's disposable income, resulting in increased demand for goods and services, as well as on-demand purchases. This will also help to improve living conditions and poverty (Al-Hadded, 2019)Micro and small-scale enterprises play an important role in social, economic, and political roles in employment creation, resource utilization, and income generation, and in helping to promote change in a gradual and peaceful manner (Batra, 2003). Micro and small enterprises are critical for long-term growth in almost all economies. A high failure rate in SMEs is extremely unfavorable for an economy, especially one that is developing and lacking in capital (Okpara and Wynn, 2007).

In many developed countries, micro and small businesses are involved and dominate the economy. The MSEs sector is regarded as an important component of economic growth and a key component in efforts to lift countries out of poverty (Wolfenson, 2001). In all successful economies, MSEs are seen as an essential springboard for growth, job creation, and social progress. The small business sector is also seen as an important force to: - generate employment and more equitable income distribution, activate competition, exploit niche markets, enhance productivity and technical change, and, through the combination of all of these measures, to stimulate economic development (Zewde and associates, 2002; Trovato and Becchetti, 2002; Nuno and Santos, 2003). Small-scale enterprises are the root of economic growth, job creation, and poverty alleviation in developing countries. Furthermore, small businesses have been viewed as a source of supply for larger-scale industries (Fabayo, 2009). In this regard, Ethiopia's MSE Development Program has received attention from the government since 2004/2005. The national strategy was implemented by the Federal Micro and Small Enterprises Development

Agency, which was only coordinated at the national level until 2004/2005. Due to this reason, it was difficult to put the strategy into practice, especially in terms of providing outbound business development services to MSE operators. As a result of observing the sector's critical position and the problems faced by MSE operators since 2004/2005, Ethiopia's government has decided to create a regional MSE coordinating body.

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2.2.2.1. Special contribution of small business.

As a part of the business community, small firms unquestionably contribute to our nation's economic welfare. They produce a substantial portion of our total goods and services. Thus, their general economic contribution is similar to that of big business. Small firms, however, possess some qualities that make them more than miniature versions of big business corporations. They make contributions as they provide new jobs, introduce innovations, big aid business, stimulate competition, and produce goods and services efficiently (Haylay, 2003).

I. Provide New Jobs

As the population and Economy grow, small businesses provide new job opportunities. It seems clear that small businesses produce the ''lion's share'' of the new jobs, sometimes adding jobs while large corporations are ''downsizing'' and lying off employees (Haylay, 2003).

II. Introducing Innovation

New products that originate in the research laboratories of big business make a valuable contribution to our standard of living. There is a question, however, as to the relative importance of big business in achieving the truly significant innovations. The record shows that many Scientific breakthroughs originated with independent inventors and small organizations. Studies of innovation have shown the greater effectiveness of small firms in research and development.

Innovation contributes to productivity by providing better products and better methods of production. The large number of small firms that provide the centers of initiative and sources of innovations are thus in a position to help improve a country's productivity. It is interesting to note that research departments of big businesses tend to emphasize the improvement of the existing products. Unfortunately, preoccupation with an existing product can sometimes blind one to the value of a new idea. (Haylay, 2003).

III. Stimulating Economic Competition

Many economists, beginning with Adam Smith, have expounded the values inherent in economic competition. In a competitive business situation, individuals are driven by self-interest to act in a socially desirable manner. Competition acts as the regulator that transforms their selfishness into service. When producers consist of only a few big businesses, however, the customer is at their mercy.

They may set high prices, withhold technological developments, exclude new competitors, or otherwise about their position of power. If completion is to have a "cutting edge," there is a need for small firms (Haylay, 2003).

IV. Aiding Big Business

The fact that some functions are more expertly performed by small businesses enables small firms to contribute to the success of larger ones. If small business were suddenly removed from the contemporary scene, big businesses would find themselves saddled with a myriad of activities that they could perform only inefficiently. Two functions that small businesses are the distribution and supply functions. (Haylay, 2003).

V. Producing Goods and Services Efficiently

Common sense tells us that the efficient size of business varies with industry. The continued existence of small businesses in a competitive economic system is in itself evidence of small business operation. If small firms are hopeless and inefficient, they will make no useful contribution. They would be forced out of business quickly by stronger competition. We believe that small business contributes in a substantial way to the economic welfare of our society. (Hay lay, 2003).

2.2.3. MSEs and developing countries

Private-sector development as a suitable alternative for promoting sustainable and balanced growth in Africa has attracted considerable attention. Many governments and development organizations have focused on the promotion of small-scale enterprises (SSEs) as a way of encouraging broader participation in the private sector. The promotion of SSEs and, especially, of those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa.

A number of factors have helped to direct the attention of development agencies to the merits of SSEs. For instance, at the peak of the economic crisis in the early 1980s, the SSE sector grew tremendously and exhibited unique strengths in the face of recession (Grey-Johnson 1992). The sector continued to grow, despite hostile economic, regulatory, and political environments. The entrepreneurs in this sector came to be regarded as highly opportunistic and innovative.

They emerged spontaneously to take advantage of opportunities that arose in the changing business environment. Moreover, they demonstrated great creativity in starting enterprises with minimal resources. It has been suggested that most technological innovations and product diversifications in Africa come from this sector (Juma et al. 1993). The SSE sector has been described as the most accessible and competitive of African economies (World Bank 1989). SSEs have characteristics that justify promoting them in a development strategy. They create employment at low levels of investment per job, lead to increased participation of indigenous people in the economy, use mainly local resources, promote the creation and use of local technologies, and provide skills training at a low cost to society (ILO 1989).

The sector plays an important role in various African countries. According to the ILO/JASPA "African Employment Report" (ILO/JASPA 1988), the sector makes a significant contribution to the gross domestic product in Liberia (34.6%), Nigeria (24.5%), Kenya (19.5%), and Benin (17.7%). In Kenya, the sector is expected to play a key role in employment creation. Employment projections for 2000 indicate that 75% of urban jobs are expected to be in this sector, along with 50% of all rural employment (ILO 1989). The sector currently employs 40–60% of the urban labor force and contributes 25–33% to total urban incomes. However, it is generally recognized that SSEs face unique problems, which affect their growth and profitability and, hence, diminish their ability to contribute effectively to sustainable development. Many of the problems cited have implications for technology choice.

These problems include lack of access to credit, inadequate managerial and technical skills, low levels of education, poor market information, inhibitive regulatory environments, and lack of access to technology (Harper 1974; ILO 1989; House et al. 1991).

2.2.4. Micro and small enterprises in Ethiopia

In Ethiopia the government has established a National MSE Development and dissemination strategy in 1997, which explained in a systematic approach to minimize the constraints and promote the growth of MSEs. The overall objective of the strategy is to create a conducive environment for MSEs, with specific objectives to facilitate economic growth; bring equitable development; create long-term jobs; strengthen cooperation between MSEs; promote export; equal preferential treatment between MSEs & larger business enterprises. The strategy focuses on contingency measures and beneficiaries such as small manufacturers in food, textiles, leather, clothing, metal works, and crafts, self-employment, beginning and expanding firms (focus on women owned), small enterprises in nomadic and disaster areas; agro-business and small scale farming and fishing, small and sub-contractors; small exporters; as well as small-scale tourism operators (FDRE MoTI, 1997). Similarly, Tigray Micro and Small Enterprises Agency (TMSEA) was established to assist MSE business owners by providing training, financial facilities, providing work and sell sheds, creating market linkages, and some related things to the development and expansion of MSE. This development is expected to continue the industrial transformation by importing new experience, technologies, and sharing with the performance of MSE owners. Tigray has recognized and paid attention to the development of MSEs because they are important vehicles to address the challenges of unemployment, economic growth, and equity within the region**.**According to research carried out by the Commission on Legal Empowerment of the Poor in 2006, the private sector in Ethiopia is characterized by high domination of MSEs of low-income groups, accounting for a large proportion of non-agricultural economic activities and particularly concentrated in the production and consumption of textiles, food, and beverage processing. Moreover, the report of the research has shown that most MSEs are characterized by ease of entry and constitute the bulk of the population; similarly, most of them are located in rural areas (Commission on Legal Empowerment of the Poor, 2006)

2.2.5. Ethiopia’s Micro and Small Enterprise Promotion policy and strategy

Designing and implementing appropriate economic policies and strategies are prerequisites for creating an enabling environment to promote MSEs (Gebrehiwet A. and Weday A., 2016). The MSEs focused measures, including the issuance of the national micro and small enterprises strategy (1997) and the establishment of the Federal Micro and Small Enterprises Development Agency. The strategy stresses that various policy, structural, and institutional-related problems and bottlenecks. Ethiopia's MSE policies were formulated for reducing poverty in urban areas and also nurturing entrepreneurship and playing its role in the establishment of industrial development. The strategy was reviewed in 2010/2011 with renewed interest and more aspiring focuses on employment and the number of entrepreneurs and the process of change from small to medium-sized level (FeMSEDA, 2009). MSE development is one of the most important concentrated areas of the country's development strategy, and receives significant support from the government in the form of access to finance, market, technology, training, and also working premises/area. The government hardly believes that MSEs are the basic solution to mitigate urban unemployment and also reduce poverty.

Ethiopia formulated a stratum policy support in which MSEs are categorized into three stages, namely: start-ups, growing-meddle, and maturity stages. Start-up stage enterprises refer to those enterprises found at their establishment stage and comprise a group or individual aspiring entrepreneurs who want various supports to make their enterprise operational. At this stage, the basic challenges are, lack of initial and working capital, poor knowledge of business management and entrepreneurship and lack of knowhow about the different government policies and directives related to the sector. In order to minimize the above problems, FeMSEDA has formulated a strategy that centered on facilitating access to finance, helping of MSEs in formalization and legalization process and supply of training on business management, entrepreneurship and production techniques.

The growing phase of enterprises refers to those enterprises that are competent in the market in terms of price and quality and successfully implementation of the different government supporting packages and they are also profitable in their business. At this stage, enterprises are challenged by different problems such as financial challenges, technical skill, absence of sufficient working and sales premises, loan accesses and bureaucracy of the institution, lack of

knowledge the way how they can use technology, and low accesses to international standards and better production technology. To reduce these problems, FeMSEDA has formulated a national strategy that focuses on access to financial support, training, and technological development program. The last stage is the maturity stage which refers to enterprises that are considered to have arrived fully profitable and engaged in another expansion and investments in the sector. FEMSEDA now has a strategy in place to help businesses improve their efficiency and product quality. Moreover, at this stage, enterprises have knowledge of international standards and better production technology than from start-ups and middle-growing stage enterprises (FeMSEDA, 2010).

2.3. The Concepts of Business Performance

According to Martin (2010:67) performance is defined simplify in terms such as quantified objectives or profitability. In small business literature, performance has been the focus of comprehensive and increasing analytical and philosophical investigations (Bidzakin K.J. 2009:31).Global Entrepreneurship monitor defined Performance as the act of performing; doing something in the right way or doing something successfully using knowledge as distinguished from merely possessing it (GEM,2004:10). However, performance seems to understand and evaluated in different mechanism thus making cross-comparison difficult. Rami Alasadi and Mhmed Abdelrahim (2007:6-13), on their study defined performance as follows. The most commonly adapted definition of good performance is financial growth with adequate profits. Other concepts of achievement, such as good results, apply equally to both work satisfaction and financial development as a result of increased earning. For example, some entrepreneurs consider the good result to be job satisfaction they get from achieving standard target or goal. Most researchers and practitioners, on the other hand, have widely embraced financial growth as a result of rising profits in market performance models.

2.3.1. Measures of performance

Performance Measurement is an important concept for an organization to pinpoint areas that need to be improved and harmonize its systems, workforce and business goals. It also helps companies be more efficient and productive in pursuing organizational objectives (Right way, 2018). A business firm could measure its performance using financial and non-financial

measures. The financial measures aggregate profit before tax and turnover, whereas the non-financial measures included on issues deserving to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover (Right way, 2018).

Business performance is usually measured in terms of economic performance. As (Walker and Brown, 2004), micro and small business performance is measured by financial and non-financial criteria. The most obvious measures of performance are profitability and growth (Walker and Brown, 2004).In Economic terms, this is seen as profit maximization. Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hared measures.

Performance measuring is commonly carried out by subjective evaluation of the business firm itself, either by evaluating their satisfaction with the achieved descriptors of effectiveness and efficiency (meeting expectations, i.e. Plans), or by initiating themselves against their competition (Lebans & Euske (2006).

Lebans & Euske (2006); Kaplan & Norton (1992) states that, performance is determined in terms of financial and nonfinancial indicators which offer information on the level of achievement of objectives and results. Performance is conditional, requiring judgment and interpretation. Performance may be clarified by using a causal model that explains how current actions may affect future results. Business performance is usually measured in terms of economic performance.

Alasadiand Abdelrahim (2007) stated that, due to the problem of universally accepted standard performance measures, each business organizations decide and choose its performance measure that might not truly reflect its performance. This type of performance measures includes but is not limited to market share, sales volume, company reputation, return-on-investment (ROI), profitability, and established corporate identity. While some may argue that the majority of these performance measurements are suited for large firms, they are not always ideal for small enterprises. The financial measure of success, which is the growth of total capital of the firms, is employed in this study since it is better than non-financial measures in terms of lowering the subjectivity of measurement outcomes.

2.4. Factors Affecting Business Performance

Micro and Small enterprises are considered as a vital component of the socio-economic development of both developed and developing countries, usually some of these enterprises collapse within the first few years of their start-up. Of those operating, some grow rapidly, while other grows solely. So it is important to identify the factors of success because it helps new entrants of the sector to consider the factors and use them for their future in the business (Alasadi and Abdelrahim, 2007). These factors could vary from one country to another due to the economic, geographical, and cultural differences. Micro and Small Enterprises (MSEs) are challenged by many constraints/factors/ that affects their business performance and their well competitive enough in market in which they operate in general and MSEs in particular. Searching on the literature of MSEs success across the world, we can find various factors affecting their success. The study focuses on the factors that affect the business performance of MSEs in Mekelle city Administration. There four the purpose of this study was to assess the major factors (financial, infrastructure and institutional coordination) that affecting performance of MSEs in Tigray, Mekelle city Administration. There are previous research works conducted on MSEs, most of them conducted several years ago hence, there was a time gap observed due to the recently information and the progressive policies and strategies in the promotion of MSEs ,the study was hopefully filled the information gap created due to the longevity of the study.

2.4.1. Financial Factors

Finance is one of the most important components for a company's efficient and long-term development. Access to finance is almost universally indicated as a key factor for MSEs. Credit constraints operate in variety of ways in where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives who are not enough to enables MSEs undertake their business activities optimally. Access to long term credit for micro and small enterprises forces them to rely on high cost short term finance. There are various financial factors that face micro and small enterprises. They include the high cost of credit, high bank charges, and fees (Stephen, 2014). Financial access is critical to gaining access to capital and necessary markets. Lack of adequate capital, insufficient loans, and inefficient financial market in terms of facilitating financial resources to entrepreneurs are the major obstacles, particularly in

the MSE sector. Most micro and small enterprises are highly risky ventures involving excessive administrative costs, lack experience in dealing with financial institutions, and do not have a track record of creditworthiness with banks. According to various studies, small and medium-sized businesses begin with their investments, which are supplemented by borrowing from friends and relatives. Because of this, many operators/ owners are poor and start their businesses with little money. The majority of them developed their financial access through informal credit mechanisms that exist within their society, but they only receive and stare from formal sector institutions on rare occasions (Sethuraman, 1997). Since most banking institutions are reluctant to provide small enterprises with loans and credits, most MSEs are unable to secure collateral requirements. As a result of the absence in financing, the creation of new enterprises and the growth and survival of existing ones will be impeded (Commission of Legal Empowerment of the poor, 2006). Access to finance is a major bottleneck for rapid growth and development of MSEs.Mainly, due to targeted mechanism put in place to address the financial needs of small scale enterprises. Moreover, the interest rates by most microfinance institutions.

2.4.2. Infrastructure Factors

Access to public infrastructure forces contain water, electricity, serviceable roads, telecommunication, telephones, electronic media and postal services which are all crucial for business start-up, development and growth (Rogerson, 2000). Limited access to public infrastructure services is a major constraint to MSEs survival (Darroch & Clover, 2005). The majority of small businesses face difficulties due to a lack of suitable location for their operations and many of these businesses are situated in areas with insufficient supply and economic infrastructures, such as roads, water and electricity, telecommunications, working spaces, transportation system, and technology. Small businesses that have access to these facilities have a comparatively high cost per unit of service as compared to middle or high-income populations. Furthermore, small businesses are unable to invest in private-public goods (Reinikka and Svensson, 2002) or obtain services from private vendors at service raise small business operating cost, restrict their ability to meet quality requirements (hygiene standards at a lower cost than obtaining services from government providers (Ishengoma, 2004). Inadequate economic infrastructure and limited access to public services raise small businesses' operating costs, restrict their ability to meet quality requirements/standards/ and prevent them from

participating in linkage relationships (Collier, 2000). Generally, water supply, transportation services, workspace, electricity, and utilities, dry waste and sewerage system, and business development services are all part of the infrastructure issue.

2.4.3. Institutional coordination problems

Coordination is a major issue for the effectiveness of any organization, which is required at all stages of public policy or the activities in organization. Coordination also supports coherent acts that have become a major governance challenge across the world. In the contemporary context of public policy, the diversity of stakeholders is involved in the decision making process or any policy actions, therefore it is the synchronized actions of the government that determine the coherence acts and support the policy agenda of the government(Begum,2019). According to Viinamaki (2004), If there is more linked coordination in all levels of administration, the common outcome, solidarity, will be arrived at the most relevant way, because coordination is a tool for bringing different components together. To solve complexities and unintentional losses, any operation in enterprises requires coordination of various types of functions within and between firms (Enright, 1992).

In several ways, coordination is linked to confidence and success. It also produces results because it establishes the requisite confidence for achieving results through networking. As a result of the internal and external challenges that come with running a company, teamwork becomes an important factor. Because of its focus on interdependence, collaboration, confidence, efficiency, and competition, coordination is a part of networking research. It is possible to improve MSEs' overall performance by establishing relationships with other internal and external relevant organizations, having well-designed plans, functional systems, strong knowledge supports and providing financial and other facilities.

The main goal of this study was emphasize the internal and external importance of coordination, as well as address the questions of how coordination can lead to improved organizational performance and how coordination can assist in improving organizational performance. As Mekelle city- Administration is an expansion area, from this point of view, it is to explore what performance (Zelkew, 2021).

2.5. Empirical Review

According to (Mead & Liedholm, (1998) and (Swierczek and Ha (2003), the main factors that affect the performance of MSEs in developing countries is not their small size but their isolation, which hinders access to markets, as well as information, finance, and institutional support. The argument that small businesses in Africa are crucial in the role they play in employment creation and general contribution to economic growth is not new. Although this may be true, the vast majority of new enterprises tend to be one-person establishments (Mwega, 1991). Even while this is true, the great majority of new businesses are one-person operations (Abera, 2012). This has tended to ensure that the path of the micro and small business entrepreneur is always short-lived, with the failure rate of micro and small businesses in Africa estimated at 99 percent (Rogerson, 2000).Various reasons for these failures have been proposed by scholars including lack of supportive policies for MSEs development(McCormick,1998).

A study conducted by (Kinyua, 2013), on factors affecting the performance of micro and small enterprises (MSEs); the study stated that MSEs' access to finance could positively influence the achievements of MSEs in Jua Kali sector. According to Muiruri (2014), Jua Kali entrepreneurs have financial social demands that conflict with commercial capital, causing capital to be diverted away from company needs. According to Kinyua (2014), several businesses believed it was difficult to obtain loans since they had to provide credit records and did not completely comprehend the procedures for obtaining and repaying loans. Generally, he revealed that MSEs' access to finance could positively influence MSEs in Jua Kali sector. Access to finance, on the other hand, has not yet been effectively utilized to the benefit of the MSEs in the study.

A study conducted by Assegedech Woldelul(2004), Shortage of funds discourages the smooth operation and development of MSEs in Addis Ababa,Ethiopia. A study conducted by (Ngima Kinyua, 2014) on factors affecting the performance of micro and small enterprises (MSEs) in Limuru town market of Kiambu country, Kenya, in financial and infrastructural aspects, the study stated that access to finance and infrastructure are the basic socio-economic factors that challenge the growth of businesses in Limuru town market.

A study conducted by (Hadis & Ali, 2018) on MSEs in Ethiopia; linkage and implications: evidence from Kombolcha town, in attitudinal and coordination aspects, study stated that MSEs linkage with the financial institution is weak caused by inefficient managerial and policy-related

barriers. In addition, entrepreneur's perception of local government support as unimportant and gaps in quality produces and technical skills are the factors affecting the business performance of MSEs.

Berger et al. (1998) researched the financial and infrastructural factors that influence MSE performance. According to the findings of the study, finance plays an important role in the performance of micro and small enterprises (MSEs) businesses. Their research has revealed the lack of financial and infrastructure resources accessible to smaller businesses compared to big businesses, as well as the impact on their performance and development.

Lack of physical infrastructure is a major cause of low levels of investment and the dis-satisfactory performance of micro and small enterprises (MSEs). (Bank, 2012) has identified poor infrastructure as a critical factor that constrains business performance in Ethiopia. Poor road conditions, inaccessibility to land, workspace, energy, and utility services are all part of the infrastructural challenge. Lack of the availability of land resources to MSEs in most urban and rural areas is a major challenge to growth and development. Low accesses to land and lack of property rights affect access to infrastructure and utilities by line MSEs (Ginbite, 2017). A study conducted by (Ebabu Engidaw, 2021) a study on factors affecting the performance of small and medium-sized enterprises founded that a critical factor affecting performance is infrastructure with a significant level of 0.000, it shows that with the absence of suitable infrastructures like; power, good road network, effective communication system and functional available of the market that can absorb the finishing products business may not survive. A study was done by (Konso & Mitiku Mekonnen, 2018) on factors affecting the performance of MSEs shortage of access to external financing is considered MSE expansion has been hampered by this issue, which has resulted in a high percentage of failure among those businesses. In another study (Atalel Fetene(2017), also found that finance has a significant effect on business performance.

2.6. The Conceptual framework

Conceptual framework means that concepts that relate to one another were used to explain research problem. The emphasis of this study's conceptual framework is one of the factors affecting micro and small enterprises (MSEs) business performance. The business environment is defined as factors both inside and outside the organization, influencing the continued and role

in the performance of MSEs (Demlar & Wiklund,2008).Based on the literature review the researcher proposed a model of the performance of MSEs (dependent variable) with the factors that affect the performance of MSEs(Independent variables). In line with the objectivities of study, performance of MSEs, which is measured in terms of wealth creation/profitability, sales growth and increase in market were defendant variable, whereas the factors affecting performance of MSEs were financial, infrastructure and institutional coordination used as independent variables. The relationship between factors affecting performance of MSEs as independent variables and performance as of dependent variable show as in figure 1 below.

Fingure1: Conceptual frame works of Independent variables

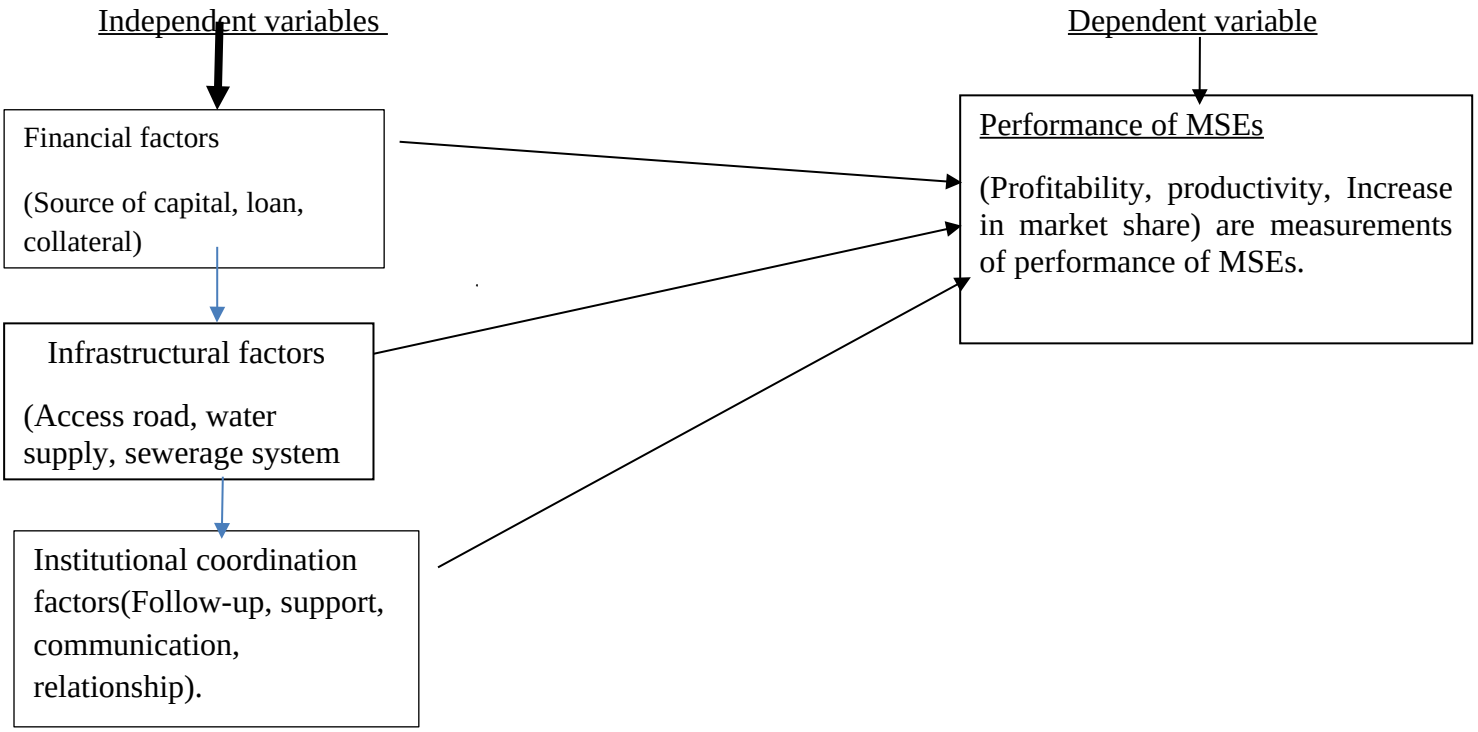

Figure 1:- Conceptual Frameworks (Own model)

The conceptual framework own model is credible and robust research model. It successfully moves from a theoretical concept to an empirically validated structure. Its credibility is derived from its foundation in existing literature, its clear operationalization, and most importantly successful validation through rigorous statistical analysis.

CHAPTER THREE

THE RESEARCH METHODOLOGY AND DESIGN

3.1. Introduction

This section provides an over view of the study' research methodology which includes the description of the study area, research design such as research design and methods (data sources, target population, sampling techniques, data collection methods, reliability and validity and ethical consideration, and analysis of the study

3.2. Description of the Study Area

This study was undertaken in Mekelle city Administration of Tigray, and located around 780 kms (480mi) north of Addis Ababa, with an elevation of 2,254 meters (7,395ft) above sea level. Mekelle, is special zone and capital of the Tigray region. Administratively, Mekelle is considered as Special Zone, which is divided in to seven sub cities. .

Mekelle is the highly populated cities in Ethiopia. According to Central Statistics Agency of Ethiopia (CSA, 2007), the population of Mekelle city was 215,546 comprising 104,758 males, 110,788 females in seven sub cities; Hawelti, Ayder, Adi-haki, Hadnet,Kedamey-weyane and Quiha. The religion composition of the city stood 93% of the population is Christian and the rest 7% are Muslims and other faction of religion. In 2017 the population of Mekelle was projected to be around 400,000 assuming the 5.4% growth rate. The majority of the population of Mekelle depends on government employment, commerce and small-scale enterprises.

Figure 2: Map of the study area

3.3. Research design

A research design is a master plan that guides a researcher to achieve the anticipated goals of the study based on the available resources, like time and budget (Johann, 1996). Research design is the blue print for fulfilling research objectives and answering the research questions (John A.H.et al, 2007:20-84). According to Kothari (2004, p.31) research design is the arrangement and structure used to regulate the study in order to attain the research objectives and answer the research questions. In this study, descriptive and explanatory research design was used. The reason for using descriptive research design was; to describe the state of affairs as it exists at present and explanatory research design was better to connect ideas to understand the cause and effect of the variables (Kothari, 2004).

3.4. Research Approach

The objective of this study is to examine factors that affect the performance of small and medium enterprises. There are three approaches available for researchers to design their research methodology namely quantitative, qualitative and mixed methods research approaches (Creswell, 2003). According to (Creswell, 2003), the primary criterion to be considered for selecting an approach is the research problem. To answer the proposed research questions, the study were employed a quantitative research design. It was tried to address the descriptive and explanatory research approaches In view of this, quantitative researchers measure variables on a sample of subjects and express the relationship between variables using effect statistics such as correlations, relative frequencies, or differences between means; their focus is to a large extent on the testing of theory or understanding the best predictors of outcomes (Hittleman & Simon, 1997). Therefore, the researcher decided to use quantitative data as a more applicable approach to study factors affecting the growth of SMEs.

3.5. Research Methods

3.5.1. Methods of data collection and instrument

The main base for the study was primary data only which collected through field survey in order to get information on the issue of factors affecting performance of micro and small enterprises. In order to achieve the objectives of the study, the researcher used quantitative research methods through questinnaire to cover larger target groups of MSEs. The structured questionnaire

consists of multiple choices and were prepared using Close Ended or Structure questionnaire and 5 Point Likert-Scale approaches (i.e., from “Strongly Disagree to Strongly Agree”). For the 5-point likert scale the respondents were asked to indicate their level of agreement with the ratings of Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5). The questionnaire was prepared in English and translated into the Tigrigna language to facilitate the response. A letter of verification will be provided for the respondents to maintain the confidentiality of the information as an attachment to the questionnaire.

3.5.2. Data sources

The study employed both primary and secondary data source of data were used in the study.

3.5.2.1. Primary Sources

Primary data refers to information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study (Sekaran, 2003). In this study, In order to realize the target, the primary data was collected through a structured closed-ended questionnaire from the representatives of the total population of MSE owners in the Mekelle city administration. The survey questionnaire in this study contained a five-point Likert scales ranging from (1) strongly disagree to (5). These continuous scales are the scales that are used to weigh objects/measurements on the instrument.

3.5.2.2. Secondary sources

Secondary data refers to information gathered from existing sources (Sekaran, 2003). These secondary sources are used to provide background context and supplement the primary findings for whatever the study’s specific aims are. In this study, the secondary data was collected from both published and unpublished materials, includes SMEs reports, office manuals, reviewed literature, research papers, circulars and policy papers, and websites, which were used to provide additional information where appropriate.

3.6. Target population and sample

3.6.1. Target population

Population refers to all elements (individuals, objects, and events) that meet the sample criterion for inclusion in a report. The target population of this study was the entire set of MSEs owners in Mekelle city administration, and according to the Mekelle city office of Micro and Small Enterprises (2012), the total population of the study area consists of 25,559 MSE owners, in the following five sectors which are Manufacturing**,** Service, Trade, Construction, and Urban agricultural sectors.

Table 3.1. Number of MSE owners in Mekelle city.

No.	**Type of sectors**	Total population
1	Manufacturing	2,245
2	Service	7,240
3	Trade	11,602
4	Construction	1,255
5	Urban agriculture	3,217
6	**Total**	**25,559**

Source: Mekelle city office of Micro and Small Enterprises, 2012

3.6.2. Sampling Strategy and Sample Size

3.6.2.1. Sampling strategy

Mekelle city administration is purposely choice among the seven (7) administrative zones of Tigray region, as the study area for this research. This is because first; the number of MSEs is large in number with compared to other administrative zones, second, based on their nearness and convenience to collect data in a short time.

3.6.2.2. Sample Size Determination

A sample is a portion of the general population having uniform/the same character. Sampling is taking a certain limited number from a huge population to test/ examine for the generalization of the total population's characteristics. The sampling units for this study focused on all MSE owners. According to the office of Micro and Small Enterprises of Mekelle city administration, (end of 2012 E.C.) annual report shows that, there are 25,559 MSEs owners, that are categorized in five sectors, those are:- Manufacturing (2,245), Trade (11,602), Service (7,240), Construction (1,255), and Urban agriculture (3,217) business owners. The optimal sample size in a study is determined by the characteristics of the population and the study's goal, according to . Although there are no hard and fast standards, the sample size is usually determined by the population being sampled. There are several methods for determining sample size. Given the total population, the number is known; Yamane's (1967) formula is used to calculate a sample size that could accurately represent the total 25,559 MSE owners in Mekelle city administration in the following five sectors, which are, Manufacturing**,** Service, and Trade. Construction and Urban Agriculture sectors. The formula in the figure was used to calculate the sample size. 95% confidence level and p = 0.05 were assumed to be appropriate for this equation.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = is the sample size,

N is the population size and

e = is the level of precision.

From the above formula, the sample size for this study is:-

$$n = \frac{25{,}559}{1 + (25{,}559)(0.05)^2}$$

$$n = \frac{25559,}{64.8975} = 393.8$$

The sample size for this study was 394 MSEs. Accordingly, 394 respondents was selected from the total of 25,559 MSEs

Table 3.2. Types of sectors with the number of MSE owners in Mekelle city.

No.	**Type of sectors**	Total population	Proportionate Sample
1	Manufacturing	2,245	(2,245/25,559)×394=35
2	Service	7,240	(7,240/25,559)×394=112
3	Trade	11,602	(11,602/25,559)×394=179
4	Construction	1,255	(2,255/25,559)×394=19
5	Urban agriculture	3,217	(3,217/25,559)×394=49
6	**Total**	**25,559**	**394**

Source: Mekelle city office of Micro and Small Enterprises, 2012

3.7. Sampling Techniques

To get information from different sizes of the MSEs the researcher was applied stratified and simple random probability sampling which is consider as randomly selecting participants because it gives all participants an equal chance (non-zero chance) on taking an absolutely random sample of the population. Before picking items for the sample, the sampling frame can

be arranged into generally homogeneous groups (strata) based on sectors (trade, service, manufacturing, construction and urban agriculture) using this procedure. According to (Dawson, 2013), this step increases the probability that the final sample would be represented in terms of the stratified groups. The strata‘s are sectors including manufacturing, service, trade, construction and urban agriculture sectors.

3.8. Methods of Data Analysis and Interpretation

All hypotheses are tested with the help of the Statistical Package for the Social Sciences (SPSS-22) software. In order to analyze the data, the two sets of Statistics: Descriptive and Inferential statistics were used. In descriptive statistics, the measure of central tendency by mean was used to indicate the influence of each factor on dependent variables, and also frequency table was used to show the results of questionnaires for different factors. All collected quantitative data were analyzed using descriptive statistics like frequency, percentage, mean, and standard deviation. The inferential analysis was used to show the relation between the dependent variable, that is, performance, and the independent variables. Multiple linear regressions are also applied to show the effect of independent variables on the dependent variables.

3.9 Model Specification

The model was built around two sets of variables, specifically dependent variable (Performance) and independent variables (Access to finance, infrastructural facilities and institutional coordination). The basic objective of using regression equation on this study was to make the study more effective at describing, understanding and predicting the stated variables.

The following regression model was formulated with three independent variables and one dependent variable.

$$Yi = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + Ui$$

Where:

Y = Dependent variable – Performance

$\boldsymbol{\beta_0}$ = Constant term

X_1 =Access to finance, X_2 = Infrastructure, X_3 = institutional coordination are independent variables,

Ui = Disturbance or error term

β_1, β_2, and β_3, = Coefficient of independent variables

Proxies for variables

Dependent Variable: Performance

Independent Variables: Access to finance, Infrastructure, Institutional coordination

- Performance could be peroxide by Annual Profit, Revenue Growth, Number of Employees.
- Access to finance could be peroxide by Number of Loan Applications, Interest Rate on Loans, or a Binary Yes/No on whether they received a loan.
- Infrastructure could be peroxide by Quality of Road Access, Reliability of Electricity Supply.
- Institutional coordination could be peroxide by the Frequency of Meetings with Support Institutions or a Rating on the Usefulness of Government Services.

The Expected Sign of the Coefficients

1. B_1 (Access to finance): Positive (+)

Reasoning: Improved access to finance is almost universally expected to have a positive effect on business performance. It allows businesses to invest in equipment, inventory, and expansion, leading to higher growth and profitability.

2. B_2 (Infrastructure): Positive (+)

Reasoning: Better infrastructure (e.g., roads, electricity) reduces operational costs, improves logistics, and expands market access, which should positively impact a firm's performance.

3. **B_3 (Institutional coordination): Positive (+)**

Reasoning: Effective coordination with institutions (e.g., government agencies, business associations) can provide valuable support, information, and resources, which is expected to enhance business performance.

Conclusion: While not explicitly stated in the text, the expected signs for all three coefficients are almost certainly positive, based on the logical relationship between these supporting factors and a firm's performance. The actual hypotheses section of the research paper would formally state these expectations. Accordingly, this statistical technique was used to explain the following relationships. Regress performance (as dependent variable) on the selected linear combination of the independent variables using multiple regressions (access to finance, working infrastructure and institutional coordination).

3.10. Reliability and Validity Tests

3.10.1. Reliability Test

Reliability is the degree to which the measure of construct is consistent or dependable (Bhattacherjee, 2012). According to (Kothari, 2004), if it produces consistent results. A reliability test was also performed to check the internal consistency and accuracy of the measurement scale.

Hair et al. (2007) defined reliability as the extents to which a variable or a set of variable is consistent in what it is extended to measure. The research has administered the most commonly used internal consistency reliability measure of Cronbach's alpha which was originally designed by Lee Cronbach in 1951. The measures of Cronbach's alpha reliability coefficients ≥0.8 are considered to have very good reliability. Scales with coefficient alpha of Cronbach's alpha reliability coefficients between 0.7 and 0.8 are considered to have acceptable/adequate/ reliability and coefficient alpha between < 0.7 indicates weak/low/ reliability (Kothari, 2004,p.181).

Table 3.3.: Reliability Assessment based on Cronbach's Alpha

Cronbach's Alpha Coefficients	Reliability Interpretation
alpha coefficients ≥0.80	Very good/high reliability

alpha coefficients between 0.7 and 0.8	Acceptable/adequate reliability
alpha coefficients < 0.7	Weak/low reliability

Source: (Kothari, 2004,p.181).

3.10.2. Validity Test

The validity of research instrument can be considered how accurate the instrument measures what is supposed to measure (Joubert & Ehrlich,2005).The degree to which a test measures what it claims to measure is known as validity (Creswell, 2003). Validity is defined as the accuracy and usefulness of inferences drawn from study findings. To make sure the research's validity, the researcher used reliable source such as published researches, books, and recent articles which were written on the factors affecting the business performance of MSEs. Based on the respondent's response addition, omission, and modification of questions were undertaken. To further refine the accuracy of the instrument, a questionnaire was administered and prepared with standardized questions from different sources and the research advisor also provided valuable comments on the prepared questionnaire.

3.11. Ethical Consideration

The objective of ethics is to ensure that no one is harmed or suffers adverse consequences from the research activities. All relevant data for this study was collected by issuing an official letter to the concerned organizations. All the research participants included in this study were appropriately informed about the purpose of the study and their willingness and consent commitment before distributing questionnaires. The respondents also had the right to refuse or terminate at any point in the data collecting process. Regarding the right to anonymity and confidentiality, the participants were not forced to write their names on the questionnaire and confirmed that their responses were not in any way linked to them.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

As discussed in previous chapters this study attempted to examine the factors affecting the performance of micro and small enterprises in Mekelle city Administration. Therefore, the findings of the study were presented and analyzed in this chapter. The questionnaire were developed in five scales ranging from one to five; where 1 represents strongly disagree, 2 disagree, 3 Neutral, 4 agree, and 5 strongly agree. In order to assess the relationship between independent and dependent variables, Correlation and regression analysis were conducted for scale typed questionnaire. The collected data were presented and analyzed using SPSS 22 software version. The study used correlation analysis to measure the degree of association between different variables under consideration, and regression analysis was also used to test the effect of independent variable on dependent variable.

4.1.1. Response Rate

Table 4.1: Response rate of questionnaires administered.

	Total questionnaire administered	Correctly filled and returned	Not correctly filled and unreturned
Number	394	355	39
Percentage		90.1%	9.9%

Three hundred ninety four (394) structured questionnaires were developed and distributed to the MSE owners. Out of these 355 questionnaires were correctly filled and returned. The rest 39 were found to be incomplete. The collected data were presented and analyzed using SPSS 22 software version. As indicated from the above table, with a 90.1% response rate, the 355 respondents are almost certainly an excellent representation of the original 394 micro and small enterprises that were selecting using the robust stratified random method.

4.2 Demographic Characteristics of the respondents

The following table generalizes the demographic characteristics of respondents by gender, age, marital status, and educational status.

Table 4.2: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	196	55.2	55.2	55.2
	Female	159	44.8	44.8	100.0
	Total	355	100.0	100.0	

As shown in the above table 196 (55.2%) respondents fall into the category of male and 159(44.8 %) of the respondents are in the category of Female. It indicates that the gender composition of the sample reflects a business environment where MSE ownership is accessible to both men and women, but where men still hold a numerical advantage.

Table 4.3: Age composition of respondents

Measurement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25 years	21	6.0	6.00	6.00
	26-35 years	145	40.8	40.8	46.8
	36-45 years	102	28.7	28.7	75.5
	46-50 years	72	20.3	20.3	95.8
	over 51 years	15	4.2	4.2	100.00
	Total	355	100.0	100.00	

As can be seen from the above table, the majority of the respondents are within the age category of 26-35 years (40.8%) and from 36-45 years (28.7). The remaining percentages of the age of less than 25, 46-50, and 51 and above years were about 6.0%, 20.3%, and 4.2% respectively. It indicates that the micro and small enterprises sector in the study area predominantly driven by

individuals aged 26-45, who together 69.5% of the total respondents. This suggests a relatively young and dynamic entrepreneurial base, which may be more adaptable to market changes.

Table 4.4: Marital status of respondents

Measurement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	86	24.2	24.2	24.2
	Married	241	67.9	67.9	92.1
	Divorced	12	3.4	3.4	95.5
	Widowed	16	4.5	4.5	100.00
Total		355	100	100	

Regarding marital status, the above table shows that majority of the respondents are married 241 (67.9%) followed by single 86 (24.2%). the remaining 16 (4.5%), and 12 (3.4%) of the respondents are windowed and divorced respectively. From the finding, most of the respondents were married. .

Table 4.5. Educational status of respondents

Measurement		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Illiterate	0	0	0	0
	Elementary complete	187	52.7	52.7	52.7
	High school complete	33	9.3	9.3	62.0
	Certificate	26	7.3	7.3	69.3
	Diploma	12	3.4	3.4	72.7
	Degree and above	97	27.3	27.3	100.00
	Total	355	100.0	100.0	

Regarding the educational level of respondents as it can be shown in the above table, the majority of the respondents are within the grade level of elementary complete 187 (52.7%) followed by degree and above 97(27.3%), high school complete 33 (9.3%), certificate 26 (7.3%), diploma 12 (3.4%) and 0 % illiterate respectively. The above finding indicates that all of the respondents had attained a different level of education. Since they are literate, they can understand and fill the questionnaires.

Table 4.6: Work experience of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5	18	5.1	5.1	5.1
	6-10	145	40.8	40.8	45.9
	11-20	182	51.3	51.3	97.2
	21 and above	10	.2.8	.2.8	100.00
	Total	355	100.0	100.0	

From the above table regarding the work experience of the respondents, the majority of the respondents 182(51.3%) have 11-20 years of experience in their business work. While 145(40.8%), 18(5.1%), and 10(2.8%) of them were in the category of 6-10 years, 0-5 years, and 21 and above years respectively. This shows that the majority of the respondents had operated in the market for a different period. Hence, they are more informed on the factors affecting MSE's performance and business operating activities. Therefore, they can give relevant data to the researcher.

Table 4.7. Business-related data of enterprises

Measurement		Frequency	Percent	Valid Percent	Cumulative Percent
Business Type	Trade	162	45.6	45.6	45.6
	Service	101	28.5	28.5	74.1
	Urban agriculture	44	12.4	12.4	86.5
	Manufacturing	31	8.7	8.7	95.2
	Construction	17	4.8	4.8	100.00
	Total	**355**	100	100	
Source of Finance	Personal saving	164	46.2	46.2	46.2
	Banks	2	0.56	0.56	46.76
	Family	127	35.8	35.8	82.56
	NGOs	3	0.84	0.84	83.4
	Iqub/Ider	5	1.4	1.4	84.8
	Friends /Relatives	11	3.1	3.1	87.9
	Micro finance institutions	43	12.1	12.1	100.00
	Total	**355**	100	100	

Important aspects for business venture	Business plan	147	.41.4	.41.4	41.4
	Business opportunities	88	24.8	24.8	66.2
	An entrepreneurial team	65	18.3	18.3	84.5
	Training in business skills	55	15.5	15.5	100.00
	Total	**355**	100.0	100.0	

As shown in the above table the sample firms were operating in five sectors, most of them are engaged in trade 162 (45.6%), followed by service 101(28.5%), 44 (12.4%) in urban agriculture, 31(8.7%) in manufacturing and 17(4.8%) in construction sectors.

Regard to the source of the finance, as can be shown from the table, the data does not claim that these businesses used only one source. It reveals the primary source as perceived by the owner. The finding that 46.2% reported Personal Savings and 35.8% reported Family as their primary source is highly realistic for MSEs in many regions. Micro finance institutions 43(12.1%), friends /relatives (11(3.1%), Iqub/Ider 5(1.4%), NGOs3 (0.84%). It highlights a reliance on internal/personal networks and a lack of access to formal banking (only 0.56% reported Banks as primary), which is a very common reality. To conclude that, the table is likely a "true" representation of the primary sources of finance for these enterprises, but it is not a complete picture of all the financial sources they may have used.

Regarding to the importance aspects for business venture, 100% total indicates that respondents were likely asked to select the most important aspect, or perhaps to rank them, but the presentation is as a single choice. As it can be seen from the above table, among the options provided, 147(41.4%) of the respondents indicated that a business plan is important for the success of their business ventures, 88(24.8%) of the respondents felt the availability of business opportunities is important for the success of their business ventures, 65(18.3%) respondents alluded to the fact that an entrepreneurial team is essential for the success of their business ventures and 55(15.5%) of the respondents concluded that training in business skills is important for the success of their business ventures. It doesn't mean respondents think the other aspects are unimportant. In reality, an entrepreneur might consider a factor not listed, such as "access to capital," "market demand," or "personal passion" as the most important. Because it wasn't an option, this reality is invisible in the data. The results tell us what is important within the

conceptual framework designed by the researcher. They are valid for comparing the relative importance of these specific pre-identified factors among the respondents. The closer analysis of the result leads to the conclusion that, the data is "true" as a measurement of how 355 MSE owners ranked a specific set of pre-defined business aspects. Its connection to the complex, messy "reality" of starting a business is filtered through the design of the survey instrument. The high percentage for "Business plan" is a significant finding, but it should be understood as its perceived paramount importance relative to the other given options.

4.3. Reliability Test

Reliability is the degree to which the measure of construct is consistent or dependable (Bhattacherjee, 2012).According to (Kothari, 2004), if it produces consistent results. A reliability test was also performed to check the internal consistency and accuracy of the measurement scale. .The research has administered the most commonly used internal consistency reliability measure of Cronbach's alpha which was originally designed by Lee Croanach's in 1951. The measures of Cronbach's alpha reliability coefficients ≥0.8 are considered to have very good reliability. Scales with coefficient alpha of Cronbach's alpha reliability coefficients between 0.7 and 0.8 are considered to have acceptable/adequate/ reliability and coefficient alpha between < 0.7 indicates weak/low/ reliability (Kothari, 2004,p.181).The study has used a questionnaire to investigate factors that affect the performance of MSEs. Then there assess the model fit reliability and validity of the questionnaire to get confidence in comparing the sample with the help of SPSS V-22 the most frequently used Cronbach's alpha. The reliability of the item is presented in the table below.

Table 4. 8: Reliability analysis (Cronbach's alpha)

Variables	**Cronbach's Alpha**	**Number of Items**
Financial factors	0.778	7
Infrastructural factors	0.802	7
Institutional coronation factors	0.791	6
Performance of MSES	0.780	10

As indicated in the table 4.8, the Cronbach's alpha coefficients for financial factors, infrastructural factors, institutional coordination problems and performance of MSE's is (α = 0.778, 0.802, 0.791, and 0.780) respectively. Based on the Kothari guide conclusion, the infrastructural factors (0.802) have high internal consistency among the seven (7) items measuring this construct, and are considered to have very good reliability. The rest three scales (the financial factors, institutional coordination factors and the performance of MSEs) have scales with coefficient alpha of Cronbach's alpha reliability coefficients between 0.7 and 0.8 are considered to have acceptable/adequate/. Hence, the reliability of the measurement used in this study can be considered as very good and acceptable.

4.4. Results of measures of central tendency and Dispersion

There are a number of challenges that affect performance of MSEs associated with different factors. This part explains the descriptive statistics calculated on the basis of the factors that affect the performance of MSEs.

Table 4.9: Means value ranges and interpretation.

	Mean value ranges(5-point scale)	Interpretation
	1.00-1.80	Strongly disagree
	1.81-2.60	Disagree
	2.61-3.40	Neutral
	3.41-4.20	Agree
	4.21-5.00	Strongly agree

Sources: Jamieson (2004),Nurman(2010),Sullivan & Artino(2013).

4.5. Factors Affecting the Performance of Micro and Small Enterprises

Respondents were asked different questions regarding the factors affecting the performance of MSEs in Mekelle city Administration. Their responses are organized in the following manner.

4.5.1. Financial factors

Table 4.10: Descriptive Statistics Analyzing of Financial factors that affect the performance of MSE's

	N	Mean	Std. Deviation
The interest rate charged by banks or other lending institutions is reasonable.	355	1.46	.643
There is a high collateral requirement from banks and other lending institutions.	355	4.52	.579
There are complicated loan application procedures of micro finances and other lending institutions	355	4.55	.562
There are governmental funds to support MSEs businesses.	355	1.37	.622
I am satisfied with the financial access given by micro finance and other lending institutions	355	1.41	.637
There are lack of cash management skills	355	3.09	1.245
Access to finance is a major challenge that affects the growth of my business	355	4.61	.554
Overall Mean = 3.00	355	3.00	.273

From the above Table, indicating descriptive statistics analyzing financial factors of MSE's, which is the interest rate charged by banks or other lending institutions is reasonably indicated in which in a mean difference of 1.46 described in the standard deviation of 0.643. It indicates that the interest rate charged by banks or other lending institutions is unreasonable.

Concerning collateral requirements from banks and other lending institutions, the finding indicated that the mean score was 4.52 and the standard deviation depicted 0.579, this implies that the collateral requirement asking from banks and other lending institutions are prohibitively high, this is a very significant barrier. As indicated from the above table, the mean score of loan application procedures of micro finances and other lending institutions is 4.55, while the Standard Deviation is 0.562. This result indicates that the loan application procedures were overly complicated.

On the other hand, the mean score of governmental funds to support MSE's business is 1.37 and depicted in Standard Deviation of 0.622. This result indicates that government funding support was low to MSEs. The mean score of the satisfaction with financial access is indicating 1.41 and

in Standard Deviation shown 0.637. This implies that the access to finance given by microfinance and other institutions was not satisfactory

It was asked internal financial management which is indicating in a mean difference of 3.09 while the standard deviation is 1.245. This implies that lack of cash internal management skills are perceived as a less sever/neutral/, while the mean score of difference of access to finance is a major challenge that affects the growth of MSEs business performance is indicating a mean difference of 4.61 and standard deviation of 0.554. It means that MSEs were highly faced by access to finance. The overall mean of the financial factors is 3.00, should not be interpreted as a "moderate" problem. Instead, it shows that the financial challenges are not uniform. The core of the problem lies in the external financial system (access, collateral, procedures) and a lack of government support, which are seen as severe barriers. In contrast, internal financial management is not viewed as a primary constraint. The paramount challenge, clearly identified with the highest mean (4.61), is simply gaining access to finance.

Finally, the performance of MSEs in the study area predominantly hindered by severs difficulties in accessing affordable and feasible formal finance, characterized by high costs, complex processes, and excessive collateral demands, compounded by a perceived absence of government support, while internal cash management is a lesser (neutral) concern and access to finance itself being the paramount challenge. Conferring to similar study, the research conducted by Mebratu (2019) on MSEs in Addis Ababa found that "limited access to credit, stringent collateral requirements, and complex bureaucratic loan procedures" were the most crippling financial constraints, mirroring the high mean scores (4.52-4.61) for these factors in the present study by. Similarly, Gebreyohannes (2018), in an assessment of the financial challenges of MSEs in the Tigray region, reported that over 75% of respondents identified high interest rates and the lack of sufficient government-backed loan guarantees as primary hindrances. This aligns perfectly with this study's results, where respondents strongly disagreed that interest rates were reasonable (mean=1.46) and that governmental support was present (mean=1.37).Furthermore, the finding that internal cash management is a neutral concern (mean=3.09) finds support in the work of Kebede & Simesh (2021), who concluded that while MSE owners often lack advanced financial management skills, they perceive external, institutional barriers as far more consequential for their survival and growth than internal financial acumen. This collective evidence from multiple

studies across different regions in Ethiopia creates a compelling consensus: the performance of MSEs is predominantly hindered by a restrictive and unsupportive external financial ecosystem rather than a lack of internal capability.

4.5.2. Infrastructural factors

Table 4.11: Descriptive Statistics Analyzing of Infrastructural factors that affect the performance of MSE's

	N	Mean	Std. Deviation
There is sufficient and quick transportation services in my business area	355	2.32	1.057
There is sufficient and not interrupted water supply in my business area	355	1.22	.423
There is sufficient electricity supply in my business area	355	3.20	1.086
The cost of electricity is affordable in my business	355	1.30	.507
There is appropriate dry waste and sewerage system in my business area	355	2.67	1.126
There is sufficient business development services	355	2.51	1.034
I have got technology supports from MSEs offices.	355	2.23	1.236
Overall Mean= 2.21	355	2.21	.456

As indicated in the above table, the mean and standard deviation concerning the seven items for infrastructural factors were calculated. The table shows sufficient and not interrupted water supply has mean score of 1.22 with standard deviation of 0.423, and affordability of electricity cost has mean score of 1.30 with standard deviation of 0.507.Therefore it concluded that lack of reliable water supply and the unaffordability of electricity the most critical factor that affects performance of MSEs in the study area. These are followed by average score of respondents with regard to transportation services, having appropriate dry waste and sewerage system, business development services, technology support have mean score 2.32, 2.67, 2.51, 2.23, with standard deviation of 1.057, 1.126, 1.034, and 1.236 respectively are generally perceived as inadequate infrastructure. Furthermore, access to electricity itself means score of 3.20 and standard deviation of 1.086, is rated somewhat less negatively, though still not positively.

As indicates from the above table, the overall mean of 2.21 indicates that, on average, respondents slightly disagree with the positive statements about infrastructural factors affecting their MSE performance. This means the infrastructure is generally perceived as inadequate by the surveyed MSEs. In general, the infrastructure for MSEs in the study area is generally is

severe'' problems, particularly concerning water supply and electricity affordability is the most critical pain points to meet the growing demand for MSEs activities.

Conferring to a similar survey (Gemechu.A & Teklemariam.F, 2016), the infrastructural facility problems, like inadequate supply of water, power interruption, and transportation services problems are the sever factors that affecting the performance of MSEs in Bench Maji, Sheka and Kefa Zones. Directly linked, to this conclusion (Admasu.A.2012) infrastructural factors (insufficient and interrupted water supply, lack of sufficient and quick transportation services, and lack of appropriate dry waste and sewerage system) are sever hinder that affect business performance of MSEs in Arada and Lideta sub-cities of Addis Ababa.

4.5.3. I**nstitutional coordination factors**

Table 4.12: Descriptive Statistics Analyzing Institutional coordination factors that affect the performance of MSE's

	N	Mean	Std. Deviation
There is a strong relationship within organizations such as financial sectors, banks, micro-finance, and others to facilitate the market access of MSEs.	355	1.65	.585
There is effective communication with in organizations to support MSEs' business.	355	1.75	.680
There is a clear division of duties and responsibilities with in organizations to support MSEs' business.	355	1.76	.711
There is strong bureaucracy within the company during the registration and licensing of MSEs.	355	2.94	1.134
There is an institutional follow-up while in MSEs in a working place.	355	2.70	1.177
There is good governance within organizations that have a direct relationship with MSEs.	355	2.14	.840
Overall Mean= 2.16	355	2.16	.56074

According to the above-stated table, institutional coordination problems that measure about six items were provided as follows. Concerning the result of the respondents, whether there is a strong relationship or not within the organizations such as financial sectors, banks, and

microfinance offices to facilitate the market access of MSEs, the mean score is 1.65 and standard deviation of 0.585. This indicates that their no strong relationship with the organizations such as financial sectors, banks, and microfinance offices to facilitate the MSE owners' business performances.

From the above table item two, the mean score of effective communication within an organization to support MSE business is 1.75 and a standard deviation of 0.680 this shows that the communication between the organizations is in effective.

Concerning to clear division of duties and responsibilities within the organization to support the MSE business performance, the mean score and standard deviation results were 1.76 and 0.711 respectively. This indicates that sever ambiguity in roles and responsibilities between the organizations.

On the other hand, whether concerning to bureaucracy of the company during registrations and licensing, and institutional follow up while in MSEs in a working place the mean score and standard deviation was 2.94, 2.70, and 1.134, 1.177 respectively. Therefore, the above result implies that there are bureaucratic issues and the follow-up of the organization was in neutral ranges, this shows respondents do not uniformly perceive bureaucracy and institutional follow up as high or low.

Concerning to good governance system within organizations that have a directly linked to MSEs the mean score 2.14 with standard deviation 0.840. This shows the good governance practices directly linked with the MSEs is low.

The overall mean of 2.16, this reflects systemic institutional coordination problems, with significant fragmentation in key areas and only moderate levels of bureaucracy and follow-up, which are still not perceived as strong or effective.

To sum up the above table result, the institutional coordination within the organization that has a direct relationship has systematic coordination failures, especially the first three factors (mean ≤ 1.76) implies severe institutional fragmentation, while roles, communication, and inter-organizational ties failing MSEs. The 4^{th} and 5^{th} (bureaucracy of the company during registrations and licensing, and institutional follow up) are neutral score, and the good governance system of

the organization was low, and the high standard deviations in neutral items suggests significant response variability across MSEs.

The study was done by (Mulugeta, 2014), identifying the range of institutions as well as government and non-government actors is also critical in supporting MSE's in Addis Ababa. It is important to take stock of major national and sector development policies that are relevant for the implementation of the MSE's performance and to identify challenges to better articulate their actions on the ground to solve analyzing institutional coordination factors. Another study conducted by (Abdurahman, K, 2024), concluded that the institutional coordination between stakeholders (financial sectors, micro finance institutions, and other institutions) each stakeholder is one or another are not integrated and cooperative and are challenged and affected the performance of micro and small enterprises in Addis Ababa, Kolfe sub-city.

4.5.4. **Comparison of Factors**

Even though all the independent factors affect the performance of MSEs in the study area, this does not necessarily mean that all factors have equal impact. The following table clearly compares the overall impacts of all the factors discussed in detail above.

Table 4.13: Comparison of Factors that affect performance of MSEs

Descriptive Statistics

Factors	Mean	Std. Deviation	N	Rank of severity
1 (Financial factors)	3.00	.273	355	1
2 (Infrastructural factors**)**	2.21	.456	355	2
3 (Institutional coordination factors)	2.1582	.56074	355	3

It can now see that the financial factor has the biggest potential to contribute to the performance, followed by infrastructural and institutional coordination factors. In other words, the result indicates the infrastructural factors are the second severe factor, showing uniformly poor physical/logistical support, followed by the systematic failures in institutional coordination factors that affect performance of MSEs in the study area.

4.6. Results of Inferential Statistics

Inferential analysis is concerned with the various tests of significance for testing hypothesis in order to determine what validity data can be said to conclusions. It is also concerned with the estimation of population values. It is mainly on the basis of inferential analysis that the task of interpretation was performed. Pearson's correlation and multiple linear regressions are the main inferential statistical methods employed in this study to analyze the relationship between the dependent variable (MSEs performance) and the independent variables (financial factors, infrastructural factors and institutional coordination problems).

4.6.1. The relationship between independent variables and MSEs Performance

Correlations are the measure of strength of the linear relationship between two variables. In this study Pearson's product movement correlation coefficient- Pearson's r, was used to determine whether there is significant between the above independent and dependent variables. A correlation coefficient has a value ranging from -1 to +1. Values of r near 0 indicate a very weak linear relationship between the variables being correlated, whereas a value closer to the absolute value of 1 indicates that there is a strong relationship between the variables. According to (Chee & Queen, 2016) Pearson's r is a measure of the linear relationship between two interval or ratio variables and can have a value between -1 and 1. The benefit of using Pearson's r is, it is a simple way to assess the association between two variables. Whether they share valiance, if the relationship is positive or negative, and the degree to which they correlate.

According to Hinkle,Wiersma,and Jurs(2003) the rule of thumb for interpreting the size of a correlation coefficient is as indicated below in the table.

Table.4.14: Rule of Thumb for interpreting the size of a correlation coefficient.

Correlation coefficient	**Interpretation**
0.90 to 1.00 (-0.90 to -1.00)	Very high/strong/ positive or negative correlation
0.70 to 0.89 (-0.70 to -0.89)	High/substantial/ positive or negative correlation
0.50 to 0.69 (-0.50 to -0.69)	Moderate positive or negative correlation
0.30 to 0.49 (-0.3 to -0.49)	Low positive or negative correlation
0.00 to 0.29 (-0.00 to -0.29)	Negligible or very low correlation

Source Hinkle and others, 2003.

Therefore, using the above table 4.14 and SPSS output of the survey, the below results of the independent and dependent variables is going to be discussed in detail basis.

Ta**ble 4.15: correlation between dependent and independent variables and independent with independent variables /N=355/**

NB: All correlations in the table are significant at the 0.01 level (2-tailed).This is confirmed by the note (**) and every correlation coefficient (778,771,716) is marked with a double asterisk (**). Therefore, the precise significance value (P-value) for every correlation shown is p<0.01.

No.	**Variables**	**1**	**2**	**3**	**4**
1.	Performance of Micro and Small Enterprises (**PMSEs**)	**1**			
2.	Financial Factors (**FF**)	**.778****	**1**		
3.	Infrastructural Factors (IF)	**.771****	**.**676**	**1**	
4.	Institutional Coordination Factors (**ICF**)	**.716****	**.**585**	**.**558**	**1**

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

*. Correlation is significant at the 0.05 level (2-tailed).

As it is clearly indicated the above table 4.15, the correlation coefficient between independent variables are (0.778^{**}, 0.771^{**},and 0.716^{**}) is strong positive and statistically significant at the (p<0.01) relationships with the dependent variable (MSEs performance).Financial and infrastructural factors show the strongest associations, followed closely by institutional coordination.

4.15.1. The relationship between Financial and MSEs performance

As shown in the above table 4.15, a strong positive relationship was found between financial factors and performance ($r=0.778^{**}$, p<0.01), which has a strong, positive and statistically significant correlation at 99% confidence level. This implies that at 1% level of significance, it

was discovered that the financial factors plays a significant role in determining the performance of MSEs in the study area. This indicates that as financial conditions improve, performance of MSEs tends to increase significantly.

4.15.2. The relationship between Infrastructure and MSEs performance

Moreover, the relationship between the infrastructural factors and performance of MSEs ($r=0.771^{**}$, $p<0.01$), there is a strong positive and statistically significant correlation; this implies better infrastructure is strongly associated with better enterprise performance.

4.15.3. The relationship between Institutional Coordination and MSEs performance

On other hand, there is a strong positive, and statistically significant correlation between institutional coordination and the performance of MSE's ($r=0$**.716*****, $p<0.01$).This implies effective institutional coordination is strongly linked to improve enterprise performance.

The Scientific Basis for Correlating Variables: The scientific basis for calculating these correlations rests on two main pillars: the statistical method and the theoretical/conceptual rationale.

A. The Statistical Method: Pearson's Correlation Coefficient (r): The table almost certainly uses Pearson's product-moment correlation coefficient (r). This is a standard statistical measure that quantifies the strength and direction of a linear relationship between two continuous variables. It calculates how well the relationship between two variables can be described by a straight line.

The coefficient (r) ranges from -1 to +1.

- ✓ +1: A perfect positive linear relationship (as one goes up, the other goes up by a consistent amount).
- ✓ 0: No linear relationship, and
- ✓ -1: A perfect negative linear relationship.

Significance testing (p-value): The p-value (< 0.01 in your case) tests the null hypothesis that the correlation in the population is zero. A $p < 0.01$ means there is less than a 1%

probability that you would find a correlation this strong in your sample (N=355) if no relationship existed in the broader population.

B. The Theoretical/Conceptual Rationale: In this the researcher was hypothesized, based on the following:

Financial Factors (FF) should influence MSE performance (e.g., better access to capital leads to better equipment, inventory, and marketing).

Infrastructural Factors (IF) should influence MSE performance (e.g., reliable power, transport, and water are crucial for operational efficiency).

Institutional Coordination Factors (ICF) should influence MSE performance (e.g., good government support, business associations, and legal frameworks reduce costs and uncertainties). The correlation analysis is then used to empirically test these theoretical expectations. Your table confirms these expectations, showing strong, positive, and statistically significant relationships.

4.15.4. Problem of Multicollinearity

Multicollinearity is a critical issue that arises when independent variables in a regression model are highly correlated with each other. As shown in the above table, the a correlation between financial and infrastructural factors (r=0.676**). This implies there is a moderate positive and statistically significant correlation between them, this shows respondents who perceive financial factors positively also tend to perceive infrastructural factors positively, and vice versa.

On the other hand, there is a moderately positive and statistically significant relationship between financial factors & institutional coordination factors (r=0.585**). This implies positive perceptions of financial factors are somewhat associated with positive perceptions of institutional coordination, but the relationship is weaker than between financial factors and infrastructural factors. Concerning the relationship between infrastructural factors & institutional coordination factors (r=0.558**).This shows there is a moderately positive and statistically significant correlation, refers to better perceptions of infrastructure are associated with better perceptions of institutional coordination. In this we can conclude that all the three factors are strong drivers which are strong positive and significant predictors of micro and small enterprise performance in

the study are, and there is a strongest links between financial factors and infrastructural factors and performance of MSEs.

According to (Hutcheson, 2015), if r is close to 1, the two variables have a strong association. This indicates whether changes in one variable are strongly correlated with changes in the other variable or whether the problem of Multicollinearity exists. As we have seen from the above table, the highest correlation coefficients between independent variables is r=0.676** (between financial factors and infrastructural factors), which is moderate. This indicates that multicollinearity is not a severe concern, as (r<0.70), a common threshold for high multicollinearity.

4.6.2. Multiple Regression Analysis

The multiple regression analysis is an analysis of association in which the effects of two or more independent variables on a single, interval-scaled dependent variable are investigated simultaneously (Zikmund et al, 2010). The results of this analysis indicate how well a set of variables is able to predict the dependent variable. Furthermore, it shows how much unique variance in the dependent variable is explained by each of the independent variables (Pallant, 2010). Regression analysis was conducted to determine how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (financial factors, infrastructure factors, and institutional coordination problems) explains the dependent variable. Therefore, the regression analysis of factors affecting the performance of MSEs was conducted, and the results of the regression analysis are presented as follows:

Model Summary

Table 4.16: Regress performance (as dependent variable) on the selected variables (as independent variables) using multiple regressions.

Model Summary	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	Sig. F Change
	.812a	.660	.657	1.836	.660	227.54	.000

a. Predictors: (Constant), FF: IF, and ICF
b. Dependent Variable: PMSEs

I. Strength of Relationship (R and R-squared)

From the model summary in Table 4.16, the value of (R 0.812) is the multiple correlation coefficient between independent variables (financial factors, infrastructure factors, and institutional coordination problems) and dependent variables, namely PMSEs. This indicates a very strong positive linear relationship between the combination of the independent variables (financial factors. infrastructure factors and institutional coordination problems) and the dependent variable (PMSEs). A value close to 1 means the predictors collectively explains a larger portion of the vibrations in PMSEs.

The value of R square (Coefficient of Determination) is a measure of how much variability in the outcome in this study; a multiple regression analysis was conducted to test the relationship among independent variables and the dependent variable. (Hair et al., 2014). A higher value of R^2 represents the greater explanatory power of the regression equation. The analysis was done to establish the specific Performance of MSEs in the study area. The regression analysis results are presented in the Model Summary table. From the above table, the value of R-squared is 0.660, which indicates that 66% of the variance in the performance of micro and small enterprises is explained by the independent variables in the model. This suggests a strong relationship between the independent variables and the performance of MSEs.

II. Model Fit (Adjusted R-squared)

From the above table, the value of adjusted R-squared, i.e., 0.657, gives some idea of how well the model generalizes, and ideally, one would like its value to be the same, or very close to, the value of R-squared. In this study, the difference between the value of R-squared and the adjusted R-squared is (0.660-0.657=0.003), about 0.3 percent. This indicates that the model fits very good, which means the model generalizes well and the inclusion of all predictors is justified.

III. Standard Error

The standard error of the estimate is a measure of the variability of the multiple correlations. It is a measure of the typical prediction error. Therefore, as shown in the above model summary for the regression analysis table above, the standard error of the estimate of the model is 1.836.

Whether this is large or small depends on the actual scale of the PMSE variable. However, given the high R-squared, this error is relatively small compared to the overall variability explained by the model.

IV. Model Significance (F-test and p-value)

Regarding to F-test and P-value, the F-statistic (227.54) with a highly significant p-value (0.000) indicates that the model as a whole is statistically significant. This means the joint effect of the independent variables is significantly different from zero. The p-value associated with the F-statistic is 0.000, which is less than 0.05 (a commonly chosen significance level).This indicates that the F-statistic is statistically significant, leading to the **rejection of the null hypothesis** in the model.

Table 4.2: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.213	.524		6.131	.000**
	Financial factors of MSE's	.325	.054	.332	6.019	.000**
	Infrastructural factors	.314	.057	.311	5.509	.000**
	Institutional coordination factors	.221	.073	.154	3.027	.002**

a. Dependent Variable: PMSE's

Standardized Coefficients:

Standardized Coefficients helped to figure out which of the independent variables is more important. They are used to compare the effects of different independent variables on the dependent variable.

- **Financial (Coe, =0.332, p-value=0.000):** The positive and statistically significant coefficients this implies that an increase in financial access is associated with an increase in performance of micro and small enterprises.
- **Infrastructure (Coe, =0.311, p-value=0.000):** The positive and statistically significant coefficients this implies that an increase in infrastructure facilities is associated with an increase in performance of MSEs in the study area.
- **Institutional coordination factors (Coe, =0.154, p-value=0.002):** The positive and statistically significant coefficients**,** though less strongly than the other two independent

variables. Results showed that they have a positive relationship and statistically significant with the dependent variable (financial factors, infrastructure factors, and institutional coordination factors) on the dependent variable (MSEs performance). The variable with the larger Beta has a stronger influence on performance of micro and small enterprises**.**

Unstandardized Coefficients:

Unstandardized Coefficients is the change in the dependent variable caused by a unit change in the independent variable. However they are not comparable in terms of impact on the dependent variable. As indicated in chapter three, the research employed the following multiple regression model to establish the statistical significance of the independent factors on the dependent variables.

$Yi = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + Ui$

Where:

Y = Dependent variable – Performance

$\boldsymbol{\beta_0}$ **=** Constant value

X_1 =Access to finance, X_2 = Infrastructure, X_3 = institutional coordination are independent variables,

Ui = Disturbance or error term

$\beta_1, \beta_2,$ and $\beta_3,$ = Coefficient of independent variables

In this model, β_0 **=** constant, β1 to β3=the mean change in the dependent variable for one unit of change in the independent variable while retaining other constants, is represented by regression coefficients. The model's independent variables are stable and Ui=error term that captures the model's unknown variance.

Y=3.213 **+0.**325 X_1 **+ 0.**314 X_2 **+ 0.** .221 X_3 **+** Ui

The constant value ($\boldsymbol{\beta_0}$=3.213) indicates that if all other variables in the model were zero, the performance of micro and small enterprises in the study area would equal 3.213.Similarly a beta value of 0.325 implies that all other variables in the model constant a one unit change in financial

access increase of MSEs results in a change in business performance of Mekelle city Administration micro and small enterprises by 0.325 units. A beta value of 0.314 shows that a one unit change in infrastructural facilities improves, resulting with an average increase of 0.314 units in the dependent variable (performance) On the other hand for every one unit increase in institutional coordination factors score, the predicted value of the dependent variable (performance) increases by 0.221 units.

IV.7. Hypothesis Testing

A hypothesis is simply an educated and testable guess about the answer to your research question. A hypothesis is often described as an attempt by the researcher to explain the phenomenon of interest. Those hypotheses that the researcher's attempt to explain the phenomenon being studied and that explanation should involve a prediction about the variables being studied. These predictions are then tested by gathering and analyzing data, and the hypotheses can either be supported or refuted on the basis of the data. Accordingly, the three hypotheses that were developed earlier in chapter two were tested based on the regression coefficients data.

Table 4.18: Summary Results of Regression Analysis

Model	Beta	Statistical significance
(Constant)	3.213	.000**
FF	.325	.000**
IF	.314	.000**
ICF	.221	.002**

A.Dependent Variable: PMSE's.

Based on the table 4.18, above regression analysis result the hypothesis of the study are tested and presented as follows.

Hypothesis

Ho1: Access to finance is no positively and significantly effect on performance of MSEs.

Ha1: Access to finance is positively and significantly effect on performance of MSEs.

Ho2: Infrastructural distribution is no positively and significantly impact on performance of MSEs

Ha2: Infrastructural distribution is a positively and significantly impact on performance of MSEs..

Ho3: Institutional coordination is no positive and significantly effect on performance of MSEs.

Ha3: Institutional coordination is positively and significant effect on the performance of MSEs.

The research is being done at a 95%confidence interval. Hence, each hypothesis should be either accepted or rejected with reference to 5% level of significance, i.e., the hypothesis must be accepted if the p-value is less than 0.05; otherwise reject it. Therefore:

Hypothesis 1

Ho1: Access to finance has no positively and significant effect on the performance of MSEs

Access to finance is no positive and significantly effect on the performance of MSEs (accept Ho1, if $p<0.05$), otherwise reject it. Based on the regression result in Table 4.18 and the stated significance level (0.05), the beta for financial factors (Beta=0.325, positive) and the p-value (p-value=0.000) less than (0.05). Therefore, **Ho1** is rejected and supports the Ha1, which indicates access to finance significantly affects MSEs performance.

Comparison with Existing Literature: This finding is strongly corroborated by a global body of research. The study by Fekadu (2019) specifically highlighted that credit access was a primary constraint for MSE growth, and overcoming it led to marked improvements in sales and employment. Similarly, Kagnew et al. (2018) found a direct correlation between the availability of formal financing and enhanced profitability and asset acquisition among small enterprises. Furthermore, Almayehu (2019) emphasized that beyond mere availability, the affordability of finance was a critical determinant of performance. Our result of a positive beta coefficient (0.325) aligns with these studies, reinforcing the universal criticality of financial access as a driver of MSE success.

Hypothesis 2

Ho2: Infrastructural distribution is no positively and significantly impact on performance of MSEs

As shown in the above table 4.18, the value of Beta and P-value for infrastructural factors was (Beta=0.314, and p-value= 0.000), less than (0.05).Therefore, reject the **Ho2** and accept the alternative hypothesis (Ha2), which indicates infrastructural factors has positively and

significantly affects the performance of micro and small enterprises in the study area. This confirms that robust infrastructure positively and significantly impacts MSE performance.

Comparison with Existing Literature: The critical role of infrastructure is a consistent theme in development economics. The work of Abdissa and Fitwi (2016) demonstrated that unreliable power and poor road networks were among the top operational challenges for MSEs, directly suppressing their market reach and productivity. Mohammed and Beshir (2019) provided empirical evidence that enterprises located in areas with better transportation infrastructure experienced lower logistics costs and higher customer footfall, leading to better financial outcomes. Alemayehu (2019) also noted that access to reliable utilities like electricity and internet was a key differentiator between high-performing and struggling MSEs. Our finding of a beta value of 0.314 substantiates these claims, indicating that infrastructural development is a fundamental, not merely a facilitative, factor for MSE performance

Hypothesis 3

Ho3: Institutional coordination is no positively and significantly effect on performance of MSEs.

The Institutional coordination regression coefficients defined with (Beta= 0.221), and p-value of 0.002) less than (0.05), which indicates that 22.1 percent of increase in performance of micro and small enterprises is explained or justified due to the change in institutional coordination, assumed all other independent variables are being constant, which implies the institutional coordination have positive and significant effect on performance of micro and small enterprises in the study area.

Comparison with Existing Literature: The positive impact of institutional coordination, while sometimes less direct than finance or infrastructure, is increasingly recognized. The support from Abdurahman (2024) is recent and relevant, indicating that streamlined business registration processes, effective government support programs, and coordination between trade associations reduce bureaucratic burdens and transaction costs for MSEs. This finding is also echoed in the work of Gibson & van der Vaart (2019), which argued that "soft infrastructure"—including transparent regulations and supportive institutions—is as crucial as "hard infrastructure" for small business growth in emerging economies. Another study by Chemin (2018) in a similar context found that improved coordination between municipal authorities and small enterprises

led to a significant reduction in the time spent on regulatory compliance, allowing owners to focus more on core business activities. Our result (Beta = 0.221) aligns with this narrative, suggesting that while its effect may be secondary to direct financial inputs, strong institutional coordination provides an essential enabling environment for MSEs to thrive.

Table 4.19 Summary of tested hypotheses

Hypothesis	Results
Ho: Access to finance has no positive and significant effect on the performance of MSEs. Ha: Access to finance has a positive and significant effect on the performance of MSEs.	Ho: Not supported Ha: Supported
Ho2: Infrastructural distribution has no positive and significant impact on the performance of MSEs Ha2: Infrastructural distribution has a positive and significant impact on the performance of MSEs..	Ho: Not supported Ha: Supported
Ho3: Institutional coordination has no positive and significant effect on the performance of MSEs. Ha3: Institutional coordination has a positive and significant effect on the performance of MSEs	Ho: Not supported Ha: Supported

Hypothesis Results Consistency with Literature

H01: Access to finance has no significant effect on MSE performance. Not Supported Highly Consistent. Aligns with Fekadu (2019), Kagnew et al. (2018), and Almayehu (2019).

H02: Infrastructural distribution has no significant impact on MSE performance. Not Supported Highly Consistent. Corroborated by Abdissa & Fitwi (2016), Mohammed & Beshir (2019), and Alemayehu (2019).

H03: Institutional coordination has no significant effect on MSE performance. Not Supported Consistent. Supported by Abdurahman (2024) and broader studies on institutional economics (e.g, Gibson & van der Vaart, 2019).

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

Introduction

This chapter outlines brief summary of the study, the conclusions of the study in accordance with the study results and forward recommendations based on the overall results of the study.

5.1. Summary of findings

The study aimed to assess the factors affecting the performance of Micro and Small Enterprises (MSEs) in Mekelle city Administration, Tigray and the following research questions guided this study: (1) how does access to finance affect the performance of MSEs in the study area?, (2) to what extent does infrastructure affect the performance of MSEs in the study area? (3), How does the institutional coordination problem affect the performance of MSEs in the study area?. Based on the objective of the study, and research questions, the questionnaire (survey instruments) for measuring the research variables were selected and organized.in This questionnaire was prepared in English In this study, a quantitative research design was employed. As a result, the factors affecting the performance of micro and small enterprises were measured using the five likert scale.The target populations of the study were Owners MSEs across five sectors(trade, service, manufacturing, construction, and urban agriculture). In this study, both primary and secondary data were used as sources of information. Of 394 distributed questionnaires 355 (90.1%) questionnaires were collected and used for analysis. The questionnaire were prepared in the English language, and translated into Tigrigna language to facilitate the response. The collected data was analyzed using SPSS version 22. To analyze the data, different kinds of statistical methods include descriptive statistical tools like mean; standard deviation, has been employed to describe the variables. In addition to test all hypotheses, the effect and relationship, inferential statistical tools like correlation analysis and multiple linear regression has been used.

Regarding to the reliability of the questionnaires that identified in table 4.8, all the questionnaires were accepted with Crobach's alpha result can be considered as very good and acceptable.

The finding about financial factors affecting micro and small enterprises in Mekelle city Administration have high collateral requirements (mean=4.52) and complicated loan procedures (mean=4.55) were major barriers. Limited government funding support (mean=1.37) and dissatisfaction with financial access (mean=1.41) hindered growth. As shown in table 4.15, strong positive correlation was found between financial factors and performance ($r=0.778$, $p<0.01$). These findings are supported by (Ayele, 2018), adequate financing access of a major positive impact on MSE, and if there is not enough access to finance, micro and small enterprises would struggle to survive. Similarly, (Admasu A.2012) argument also supported the finding of this study, that access to finance plays a vital role in improving the performance of micro and small enterprises. On the other hand, inadequate water supply (mean=1.22) and unaffordable electricity (mean=1.30) were the most critical factor that affects the performance of MSEs in the study area. These are followed by the average score of respondents with regard to transportation services and having appropriate dry waste and sewerage system, business development services, and technology support issue (mean score 2.32, 2.67, 2.51, 2.23) were also significant barriers and have a strong positive correlation has between the infrastructural factors and performance of MSE's ($r=0.771$, $p<0.01$). The finding of this study, supported by (Ebabu Engidaw (2021), implies that infrastructure plays an important role in the performance of micro and small enterprises (MSEs).

Regarding institutional coordination factors, weak inter-organizational relationships (mean=1.65) and ineffective communication (mean=1.75) were noted. Bureaucracy in licensing (mean=2.94) and poor governance (mean=2.14) affected the performance. There is a strong positive correlation between institutional coordination and the performance of MSEs ($r=0.\mathbf{716}$, $p<0.01$). The finding of this study is supported by (Abdurahman K, 2024), and according to his findings, the institutional coordination between stakeholders (financial sectors, microfinance institutions, and other institutions) has a positive effect on the performance of micro and small enterprises. Generally, correlation analysis showed that there is a positive relationship between the independent variables and the performance of micro and small enterprises. In regression analysis,

66% of the variance in performance of micro and small enterprises is explained by the independent variables (R square=0.660), with financial factors (Beta=0.325), and infrastructure factors (Beta=0.314) were the most influential, followed by institutional coordination factors (Beta=0.221).

The overall results of hypothesis testing indicate that financial factors, infrastructure factors, and institutional coordination factors have positive and significant relationship with performance of micro and small enterprises.

5.2 Conclusions

The following conclusions were drawn from the study's findings and descriptive of findings.

According to the finding of this study, it can be concluded that 66.0 % of the vibration in performance can be explained by the independent variables (financial factors, infrastructure factors and institutional coordination factors). The reminding 34% of the variance is explained by other variables not included under this study. This indicates that the combined effect of the three independent variables is a strong predictor of business success in the study area. Accordingly, the following conclusions are drawn for each specific hypothesis:

- **Hypothesis 1 (Access to finance):**

Ho1: Access to finance does not have a positive and significant effect on performance of MSEs.

Ha1: Access to finance has a positive and significant effect on performance of MSEs.

In this the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is supported. The findings conclusively demonstrate that access to finance is the most critical factor affecting micro and small enterprises in Mekelle city administration. Descriptive statistics revealed sever challenges, including high collateral requirements from banks and other lending institutions, too complicated loan application procedures of micro finance and other lending institutions, shortage of working capital, high interest rate charged by banks and other lending institutions. The inferential analysis further solidified this, showing a strong positive correlation ($r=0.778^{**}$, $p<0.01$), and the highest beta coefficients in the regression model **(ß=0.325,** $p<0.01$**).** This means that improvements access to finances are associated with the most substantial improvements in MSEs performance. Therefore, it is conclusively inferred that financial access is a positive and

significant driver of MSEs performance.

- **Hypothesis 2 (Infrastructural Distribution):**

Ho2: Infrastructural distribution does not have a positive and significant impact on the performance of MSEs

Ha2: Infrastructural distribution has a positive and significant impact on the performance of MSEs. Based on the finding the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is supported. The study found that infrastructural deficiencies include inadequate water supply, unaffordable electricity, and access to transportation services, appropriate dry waste and sewerage system, business development services, technology support pose a significant barrier to business operations and inadequate water supply (mean=1.22) and unaffordable electricity (mean=1.30) were identified as the most critical infrastructural pain points. The correlation analysis confirmed a strong positive relationship with performance ($r = 0.771$, $p<0.01$), and the regression analysis showed it to be the second most influential predictor ($\beta = 0.314$, $p<0.01$). This leads to the conclusion that the provision of adequate and affordable infrastructure is a positive and significant prerequisite for enhancing MSE performance.

- **Hypothesis 3 (Institutional coordination)**

Ho3: Institutional coordination does not have a positive and significant effect on the performance of MSEs.

Ha3: Institutional coordination has a positive and significant effect on the performance of MSEs.

Concerning this, the null hypothesis (H_o) is rejected, and the alternative hypothesis (Ha) is supported. The results indicate that weaknesses in institutional coordination systematically hinder MSE growth. Respondents reported a lack of strong inter-organizational relationships (mean=1.65), ineffective communication (mean=1.75), and ambiguity in roles and responsibilities (mean=1.76). A strong positive correlation was found with performance ($r = 0.716$, $p<0.01$), and while its beta value was lower than the other factors ($\beta = 0.221$, $p<0.01$), it remained statistically significant. This confirms that effective institutional coordination, though less impactful than finance and infrastructure in this model, nevertheless has a positive and significant effect on MSE performance.

Generally, all three research hypotheses are confirmed. The performance of Micro and Small Enterprises in Mekelle City is not a matter of chance but is significantly influenced by identifiable and measurable factors. The most formidable obstacles are financial constraints, closely followed by infrastructural deficits, and compounded by inefficiencies in institutional coordination. Addressing these three pillars is not optional but essential for unlocking the potential of MSEs to act as engines of economic recovery, job creation, and sustainable development in the post-conflict context of Mekelle City and the wider Tigray region.

5.3. Recommendations

The findings of the study showed that financial factors, infrastructure factors and institutional coordination problems had strong and positive relationship with performance of micro and small enterprises. Based on the comprehensive analysis and conclusions of your thesis, here are detailed, actionable recommendations for the relevant stakeholders. These suggestions go beyond simply stating "what" to do and provide guidance on "how" to implement these changes.

- ✓ **Recommendations to Address Financial Factors**

To create a more accessible, affordable, and MSE-friendly financial ecosystem,

- Establish dedicated, low-interest loan programs; the Tigray micro and small enterprises agency (TMSEA), in partnership with the regional bureau of finance, should create a revolving loan fund specifically for MSEs. This fund should offer loans with single-digit interest rates and grace periods that align with business cash flow cycles.
- Develop and promote collateral alternatives: Banks and Microfinance Institutions (MFIs) should be encouraged by the National Bank of Ethiopia (NBE) regional branch to accept movable assets (e.g., machinery, inventory) as collateral. Furthermore, a Credit Guarantee Scheme should be established where the government partially guarantees loans for viable MSEs, reducing the risk for lenders.
- Simplify loan application and disbursement procedures: TMSEA should work with financial institutions to create a standardized, simplified loan application form for MSEs.

They should also establish a "One-Stop-Shop" service where MSEs can get pre-qualification advice and assistance with paperwork, reducing the complexity and time to access funds.

- Enhance financial literacy and cash management skills: TMSEA and the Cooperative of MSEs should organize mandatory, short-term training workshops on basic bookkeeping, cash flow management, and financial planning. These should be offered in local languages and at flexible times to ensure high participation.

✓ **Recommendations to Address Infrastructural Factors**

To provide reliable, affordable, and adequate infrastructure that enables MSEs to operate efficiently and reduce their operational costs.

- Prioritize the rehabilitation and expansion of critical utilities: |The Mekelle City Administration, in coordination with the Tigray Water and Energy Bureaus, must prioritize the restoration of water supply lines and electricity grids in key industrial clusters and market areas. For immediate relief, consider deploying water tankering services and subsidized diesel generators for MSE clusters while permanent solutions are underway.
- Implement a subsidized utility tariff for MSEs: The regional government should institute a special, lower tariff bracket for water and electricity for registered MSEs. This can be administered through a certification process by TMSEA, which then provides a card or certificate that MSEs present to utility providers to access the subsidized rate.
- Improve workspace and market infrastructure: The city administration's trade and industry bureau should develop and maintain affordable, well-serviced workspaces and market sheds with access to water, electricity, and sanitation. These spaces should be allocated transparently and include secure storage facilities.
- Provide targeted technology and business development support: TMSEA should not just offer training but also facilitate access to appropriate technology. This could be done by creating a technology leasing program for equipment or by linking MSEs with suppliers who offer favorable purchase terms. Establishing a Business Incubation Hub with shared tools and mentorship would also be highly beneficial.

✓ **Recommendations to Address Institutional Coordination Factors**

To foster a cohesive, efficient, and supportive institutional environment for MSEs through improved collaboration and governance:

- Establish a Formal Inter-Agency Coordination Committee: The Office of the Mayor of Mekelle should mandate the creation of an "MSE Development Taskforce" that meets quarterly. This task force must include representatives from TMSEA, the City Trade Bureau, Revenue Authority, Water and Energy Offices, and major banks/MFIs. Its mandate will be to identify and resolve cross-institutional bottlenecks.
- Streamline Business Registration and Licensing: The City Administration must digitize and simplify the business registration process. Implementing an online single-window system where MSEs can complete all registration and licensing steps in one place will drastically reduce bureaucracy, delays, and opportunities for rent-seeking.
- Implement a Proactive Institutional Follow-up System: TMSEA should move from a passive support role to a proactive one. Each TMSEA development agent should be assigned a portfolio of MSEs to conduct regular check-ins (biannually) to monitor progress, identify new challenges, and connect them with relevant services, creating a continuous feedback loop
- Promote Good Governance and Accountability: All institutions dealing with MSEs TMSEA, Licensing Offices, etc.) Should publicly display their service charters, including clear service delivery timelines and complaint mechanisms

By implementing these concrete, "how-to" strategies, the relevant governmental bodies, financial institutions, and support agencies can collectively create a transformative enabling environment. This will empower MSEs in Mekelle City to not only recover but to thrive, significantly contributing to job creation, poverty reduction, and the overall economic resilience of the Tigray region..

5.4. Future Research Points

The study incorporated only the micro and small enterprises in the Mekelle city administration. Hence, other researchers consider conducting elaborate research in the area by including medium-sized enterprises.

The researcher observed three independent variables (financial factors, infrastructure factors, and institutional coordination factors) and one dependent variable (performance of MSEs), which, according to the study, contribute to 66.0% of the variations in micro and small enterprises' performances in the study area. Further research is recommended to investigate the other factors that affect the performance of micro and small enterprises by including performance measuring tools. Further research is recommended to assess post-war economic recovery strategies and investigate sector-specific challenges (e.g., trade vs services) for micro and small enterprises.

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APPENDIX

MEKELLE UNIVERSITY

QUESTIONNAIRE

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

SECTION 1: INTRODUCTION

I, Gergs Tesfanchial, am a graduate student in the department of MBA in Management at Mekelle University. Currently, I am undertaking research entitled '**Factors affecting the performance of Micro and Small Enterprises in Mekelle city Administration of Tigray region'. You are one of the respondents selected to participate in this study.** The main purpose of this questionnaire is to gather information about the performance of micro and small enterprises, and also, the outcome of this study will be used for academic purposes only. Please assist me in giving correct and complete information to present a representative finding on the current status of the **factors affecting the performance of Micro and Small Enterprises in the Mekelle city Administration of Tigray.** Your participation is entirely voluntary, and the questionnaire is completely anonymous.

Finally, I confirm to you that the information that you share with me will be kept confidential and only used for academic purposes.

Thank you in advance for your unreserved cooperation!!!

Sincerely,

Gergs Tesfanchial

Instructions:

- No need to write your name
- For Likert scale-type statements, indicate your answer with a tick mark (√) in the appropriate box.

SECTION 2: DEMOGRAPHIC PROFILE OF THE RESPONDENTS.

2.1. Gender

1. Male 2. Female

2.2. **Age**: 1. under 25 years 2. 26-35 years 3. 36-45 years
4. 46-50 years 5. over 50 years

2.3. Marital status

1. Single 2. Married 3. Divorced 4. Widowed

2.4. Academic Status

1. Illiterate 2. Grade 1-8 3. 9-12 4. Certificate
5. Diploma 6. Degree and above

2.5. Work experience

1. 0-5 2. 6-10 3.11-20 4.21 and above

SECTION 3: GENERAL INFORMATION ON BUSINESS ENTERPRISES

1. **What is the main activity of the enterprise**?

1. Manufacturing 2.Trade 3. Service, 4.Construction
5. Urban agriculture

2. **How did you raise funds to start-up your business?**

1. Personal saving 2.Banks 3.Family 4.NGOs
5. Iqub/Ider 6. Friends /Relatives 7.Micro finance instituti

3. **Which one of the following aspect is the most important for the success of your business venture?**

1. Business plan 2. Business opportunities 3. An entrepreneurial team 4. Training in business skills

SECTION 4: FACTORS AFFECTING THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES.

The following are some states with regards to the factors that affecting performance of MSEs. Please indicate the degree to which these factors affecting in your business enterprises. After you

read each of the factors, evaluate them in relation to your business and then put a tick mark (√) under the choice below.

1= strongly disagree (SD)	**3= Neutral (N)**	**5= Strongly Agree (SA)**
2= disagree (D)	**4. Agree (A)**	

I. Financial factors

- Please indicate the degree to which you agree with the following statements concerning financial factors.

S.N	**Financial factors**	**Agreement scale**				
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	The interest rate charged by banks or other lending institutions is reasonable.					
2	There is a high collateral requirement from banks and other lending institutions.					
3	There are complicated loan application procedures of microfinance and other lending institutions					
4	There are governmental funds to support MSE businesses.					
5	I am satisfied with the financial access given by microfinance and other lending institutions					
6	There are lack of cash management skills					
7	Access to finance is a major challenge that affects the growth of my business					

II. Infrastructure factors

- Please indicate the degree to which you agree with the following statements concerning infrastructural factors

S. N	**Infrastructure factors**	**Agreement scale**				
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	There is sufficient and quick transportation services in my					

	business area					
2	There is sufficient and not interrupted water supply in my business area					
3	There is sufficient electricity supply in my business area					
4	The cost of electricity is affordable for my business					
5	There is an appropriate dry waste and sewerage system in my business area					
6	There are sufficient business development services					
7	I have received technology support from the MSEs' offices.					

III. Institutional coordination factors

- Please indicate the degree to which you agree with the following statements concerning Institutional coordination factors

S.N	Institutional coordination factors	Agreement scale				
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	There is a strong relationship within organizations such as financial sectors, banks, micro-finance, and others to facilitate the market access of MSEs.					
2	There is effective communication within organizations to support MSEs' business.					
3	There is a clear division of duties and responsibilities within organizations to support MSEs' business.					
4	There is strong bureaucracy within the company during the registration and licensing of MSEs.					
5	There is an institutional follow-up while in MSEs in a working place.					
6	There is good governance within organizations that have a direct relationship with MSEs.					

IV. Performance of MSEs

S.N.	Performance of MSEs	Agreement scale				
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
	A. Profitability					
1	My business profit is in a good position					
2	My business profit has increased from time to time					
3	My business has the potential to grow/expand					
4	I have had sustainable profit since I started my business					
5	I am satisfied with the growth in sales of my products and/or					

	services					
	B. **Productivity**					
1	The level of my business productivity is increased from time to time.					
2	I am satisfied with the growth of my business productivity.					
3	My business can provide verities of product/ service to care for the need of all types of customers.					
	C. **Market share**					
1	Our company is more effective in opening up a new market or expanding existing markets than our competitors.					
2	Our company can change the market or lead customers' needs in new directions.					

The end.

Thank you very much!!!

መቐለ ዩኒቨረስቲ

ቢዝነስን ኢኮኖሚክስን ኮለጅ

ናይ ማናጅመንት ክፍሊ ትምህርቲ ድሕረ ምረቓ መርሃ ግብሪ

ብኣናእሽተይን ደቀቅትን ትካላት ኣንቀሳቀስቲ ዝምላእ መሕተቲ

ክፍሊ ሓደ፡ መእተዊ

ዝኸበርኩም ናይዚ መፅናዕቲ ተሳተፍቲ፡-

ኣነ ገርግስ ተስፋንችኤል፣ኣብ መቐለ ዩኒቨረስቲ ክፍሊ ትምህርቲ ምምሕዳር ቢዝነስ ናይ ድሕረ ምረቓ ተመራቂት ተማሃሪት ኾይነ ኣብዚ ሕዚ ስዓት ናይ መመረቂ ፅሑፈይ እናዳለኩ ይርከብ።ናይ መፀናዕተይ ርእሰይን ኣብ ምምሕዳር ከተማ መቐለ ዝርከቡ ደቀቅትን ኣናእሽተይን ትካላት ኣፈፃፅማ ዝፀልዉ ረቋሕታት ይምልከት። ንሶም/ንሰን ኣብዙይ መፅናዕቲ ክትሳተፉ ተመሪፅኩም ኣለኩም። ቀንዲ ዕላማ ናይዚ መሕተቲ ብዛዕባ ኣፈፃፅማ ደቀቅትን ኣናእሽተይን ትካላት ሓበሬታ ንምእካብ ኾይኑ ዉፅኢት እዚ መፅናዕቲ ንትምህርታዊ ዕላማ ጥራሕ ዝዉዕል እዩ።ንሶም/ንሰን ንዝህብዎ ትኽክለኛን ሙሉእ ሓበሬታን ነቲ መፅናዕቲ ዉፅኢታዊነት ብጣዕሚ ኣድላይ ምኻኑ ተረዲእኩም እቲ መሕተቲ ብጥንቃቐ ንክትመልኡ ብትሕትና ይሓትት።ኣብ መወዳእታ እቲ እተኻፍልዎ ኩሉ ሓበሬታ ሚስጢራዊን ንትምህርታዊ ዕላማ ጥራሕ ከም ዝዉዕልን ደግሜ የረጋግፀልኩም። ግዜኩም ሰዊእኩም ስለእትገብሩለይ ምትሕብባር ኣቅዲመ የምስግን።

ምስ ወያናይ ሰላምታ

ገርግስ

መተሓሳሰቢ፡- ኣብቲ መሕተቲ ሽም ኣይፀሓፍን።

- መልስኹም ኣብቲ ዉሽጢ ሳጥን ናይ ራይት ምልክት የቅምጡ።

ክፍሊ ኽልተ፡ናይ መንቀሳቐስቲ ግላዊ መረዳእታት፡

2.1. ፆታ፡- ተባዕታይ ኣንስታይ

2.2. ዕድመ፡-1. ትሕቲ 25 ዓመት 26-35 ዓመት

3. ካብ 36- 45 ዓመት 46-50 ዓመት

5. ካብ 50 ዓመት ንላዕሊ

2.3. ኹነታት ሓዳር፡-

1. ዘይተመረዐወ/ት መረዐወ/ት . 3.ዝፈ 4. ብሞት ለያ

2.4. ደረጃ ትምህርቲ፡-

1. ዘይተማሃረ 1 -8 ክፍሊ 3. ካ ክፍሊ 4.

5.ዲፕሎማ ሰ ማሪን ልዕሊኡን

2.5. ናይ ስራሕ ልምዲ

1. 0-5 2. 6-10 3. 11-20 4. ልዕሊ 21 ዓመት

ክፍሊ ሰለስተ፡ናይ ትካላት ቢዝነስ ሓፈሻዊ መረዳእታ

1. ዝተዋፈርሉ ዓዉደ- ስራሕ /ዘርፊ/ እንታይ እዩ**?**

1. ማንፋክቸሪንግ 2.ንግ 3. ግል 4.ኮንስ

5. ከተማ ሕርሻ

2. ብዓዉደ ስርሑ/ዘርፉ/ ንምንቅስቃስ መበገሲ ገንዘብ ካበይ ረኺብኩም**?**

1. ካብ ግሊ ቐጠ 2.ካብ 3.ካብ ቤተሰብ 4.ካብ መንግስታዊ ዘይኾ ት ቑብ/ዕድር/ 6. ካብ መሓዙት

7. ካብ ትካላት ማይክሮ ፋይናንስ

3.ካብዞም ዝስዕቡ ዉሽጢ ስርሖም ስክዒት ብጣዕሚ ወሳኒ ዝኾነ ኣየንኡ እዩ**?**

1. ናይ ቢዝነስ ትልሚ 2. ናይ ቢዝነስ ኣጋጥም 3. ናይ ስራሕ ፈጠራ ጉጅለ ይ ቢዝነስ ክእለት ስልጠናታት

ክፍሊ ኣርባዕተ፡ ኣብ ደቀቕትን ኣናእሽተይን ትካላት ናይ ስራሕ ምንቅስቃስ /ኣፈፃፅማ/ ዝፀልዉ ረቋሕታት ይምልከት

ካብዙይ ንታሕቲ ዘለዉ ንደቀቕትን ኣናእሽተይን ትካላት ናይ ስራሕ ኣፈፃፅማ ፅልዋ ክኾኑ/ከሕድሩ/ ዝክእሉ ነገራት ተጠቂሶም/ተዘርዚሮም/ ኣለዉ።ካብቶም ዝተዘርዘሩ/ዝተጠቀሱ ናቶም/ናተን ዓዉደ ስራሕ/ዘርፊ/ ብዝበለፀ ፅልዋ ዘሕድሩ ብደረጃ የምልክቱ።ንሕድሕድ ሕቶ ኣብቶም መማረፅታት ሓደ ግዜ ጥራሕ ናይ(√) ምልክት ብምግባር ምላሽ ይሃቡ።

1= ብጣዕሚ ኣይስማማዕን	2= ኣይስማማዕን 3=ንምዉሳን ይፅገም እየ
4= ይስማማዕ እየ	5= ብጣዕሚ ይስማማዕ እየ

I. ምስ ገንዘብ ዝተተሓሓዙ ፀገማት

- በጃኹም ምስዞም ዝስዕቡ ናቶም/ናተን ዓዉደ ስራሕ/ዘርፊ/ ብዝበለፀ ፅልዋ ዘሕድሩ ብደረጃ የምልክቱ

ሪጋ	ምስ ገንዘብ ዝተተሓሓዙ ፀገማት	ናይ ስምምዕነት ደረጃ/መጠን/				
		1	2	3	4	5
1	ባንክታት ወይ ካልኦት ትካላት ልቓሕ ዝኽፈል ወለድ ርትዓዊ እዩ።					
2	ባንክታትን ካልኦት ትካላት ልቓሕን፣ልቓሕ ንምልቓሕ ዝጥይቐቆ ዋሕስ ልዑል ዝሓትት እዩ።					
3	ናይ ማይክሮ ፋይናንስን ካልኦት ናይ ልቓሕ ትካላትን ገንዘብ ንምልቓሕ ዝክተልዎ ዝተሓላለኸ ኣሰራርሓ ኣድካሚ ስለዝኾነ ልቓሕ ብእዋኑ ከይንረክብ ገይሩና እዩ።					
4	ንደቀቕትን ኣናእሽተይን ትካላት ንግዲ ስራሕ ንምድጋፍ ዝሕግዝ ገንዘብ ድጋፍ ካብ መንግስቲ ረኺበ እየ።					
5	ብማይክሮ ፋይናንስን ካልኦት ናይ ልቓሕ ትካላትን ብዝህብዎ ፋይናንሳዊ ደገፍ ዕጉብ እየ።					
6	ናይ ገንዘብ ምሕደራ ክእለት ሕፅረት ኣሎ።					
7	እኹል ዝኾነ ናይ ገንዘብ /ፋይናንስ/ ተበጻሕነት ዘይምህላው ናይ ንግዲ ስርሐይ ንግደይ ዕብየት ዝጸሉ ዓብይ ብድሆታት እዩ።					

II. ምስ መሰረተ ልምዓት ዝተተሓሓዙ ፀገማት

- በጃኹም ምስዞም ዝስዕቡ ናቶም/ናተን ዓዉደ ስራሕ/ዘርፊ/ ብዝበለፀ ፅልዋ ዘሕድሩ ብደረጃ የምልክቱ

ሪጋ	ምስ መሰረተ ልምዓት ዝተተሓሓዙ ፀገማት	ናይ ስምምዕነት ደረጃ/መጠን/				
		1	2	3	4	5
1	ኣብ ንግዳዊ ከባቢይ እኹልን ቅልጡፉን ኣገልግሎት መጓዓዝያ ኣሎ።					

2	ኣብ ንግዳዊ ከባቢይ እኹልን ዘይተቋረፀን ቀረብ ማይ ኣሎ ኣሎ ።					
3	ኣብ ንግዳዊ ከባቢይ እኹል ቐረብ ሓይሊ ኤሌክትሪክ ኣሎ።					
4	ንንግዳዊ ስርሐይ ዝተጠቀምኩሉ ኤሌክትሪክ ዝከፍሎ ዋጋ ተመጣጣኒ እዩ።					
5	ኣብ ንግዳዊ ከባቢይ ግቡእ ስርዓት ኣወጋግዳ ደረቕ ጉሓፍን ርስሓትን ኣሎ።					
6	ኣብ ንግዳዊ ከባቢይ ግቡእ እኩል ኣገልግሎት ልምዓት ንግዲ ኣሎ።					
7	ካብ ደቀቕትን ኣናእሽተይን ኣብያተ ፅሕፈት ናይ ቴክኖሎጂ ድጋፍ ረኪበ እየ።					

III. ምስ ትካላዊ ምዉህሃድ ዝተተሓሓዙ ፀገማት

- በጃኹም ምስዞም ዝስዕቡ ናቶም/ናተን ዓዉደ ስራሕ/ዘርፊ/ ብዝበለፀ ፅልዋ ዘሕድሩ ብደረጃ የምልክቱ

ሪጋ	ምስ ትካላዊ ምዉህሃድ ዝተተሓሓዙ ፀገማት	ናይ ስምምዕነት ደረጃ/መጠን/				
		1	**2**	**3**	**4**	**5**
1	ናይ ደቀቕትን ኣናእሽተይን ትካላት ናይ ዕዳጋ ተበጻሕነት ንምምቻው ከም ፋይናንሳዊ ትካላት፣ ባንክታት፣ ማይክሮ ፋይናንስን ካልኦትን ድልዱል ርክብ ኣሎ።					
2	ናይ ደቀቕትን ኣናእሽተይን ትካላት ንግዲ ንምድጋፍ ኣብ ዉሽጢ ትካላት ዉፅኢታዊ ርክብ ኣሎ ።					
3	ኣብ ዉሽጢ ትካላት ንንግዲ ደቀቕትን ኣናእሽተይን ንምድጋፍ ንጽር ናይ ስራሕ ስራሕን ሓላፍነትን ምክፍፋል ኣሎ።					
4	ናይ ደቀቕትን ኣናእሽተይን ምዝገባን ፍቃድን ኣብ ዝዋሃበሉ እዋን ኣብ ዉሽጢ ትካላት ላዕልን ታሕትን ዘይበዝሑ ኣሰራርሓ ኣሎ።					
5	ደቀቕትን ኣናእስተይን ትካላት ኣብ ስራሕ ቦታና እናተረከቡ ግቡእ ዝኾነ ደገፍን ክትትልን ይገብሩልና እዮም።					
6	ምስ ኣብተን ደቀቕትን ኣናእሽተይን ትካላት ቀጥታዊ ርክብ ዘለወን ትካላት ዉሽጢ ሰናይ ምምሕዳር ኣሎ።					

IV. ናይ ደቀቕትን ኣናእሽተይን ትካላት ኣፈፃፅማ ዝምልከት

ሪጋ	ሀ. ካብ መኽስብነት ኣንፃረ	ናይ ስምምዕነት ደረጃ/መጠን/				
		1	**2**	**3**	**4**	**5**
1	ናይ ንግዲ መኽስበይ ኣብ ፅቡቕ ኩነታት ኣሎ።					
2	ናይ ንግዲ መኽስበይ በብእዋኑ እናወሰኸ እዩ።					
3	ንግደይ ናይ ምዕባይ ዓቕሚ ኣለዎ።					
4	ንግደይ ካብ ዝጅምር ኣትሒዘ ዘላቒ መኽሰብ ኣለኒ።					
5	ኣብ ንግዲ ስርሐይ ዕቤት መሸጣ ፍርያተይን ኣገልግሎተይን ዕጉብ እየ።					
ሪጋ	ለ. ካብ ኣፍራይነት ኣንፃር	**1**	**2**	**3**	**4**	**5**
1	ናተይ ደረጃ ኣፍራይነት ቢዝነሰይ በብእዋኑ እናወሰኸ እዩ።					
2	ብዕብየት ኣፍራይነት ንግደይ ዕጉብ እየ።					
3	ቢዝነሰይ ንኹሉ ዓይነት ናይ ዓማዊል ድልየት ንምሕብሓብ ዝተፈለለየ ፍርያት					

	ወይ ኣገልግሎታት ክህብ ይኽእል እዩ።					
ሪጋ	ሐ. ካብ ብጽሒት ዕዳጋ ኣንፃር	**1**	**2**	**3**	**4**	**5**
1	ትካልና ካብ መዋዳድርትና ንላዕሊ ሓዱሽ ኣብ ምኽፋት ወይ ንዝነበሩ ዕዳጋታት ንምስፍፋሕ ዝያዳ ዉፅኢታዊ እዩ።					
2	ትካልና ዕዳጋ ክቅይር ወይ ዓማዊልና ዘድልዮም ናብ ሓዱሽ ኣንፈት ክመርሕ ይኽእል እዩ።					

ብድልየቶም ምላሾም ስለዝሃቡ ካብ ልቢ የምስግን!!!