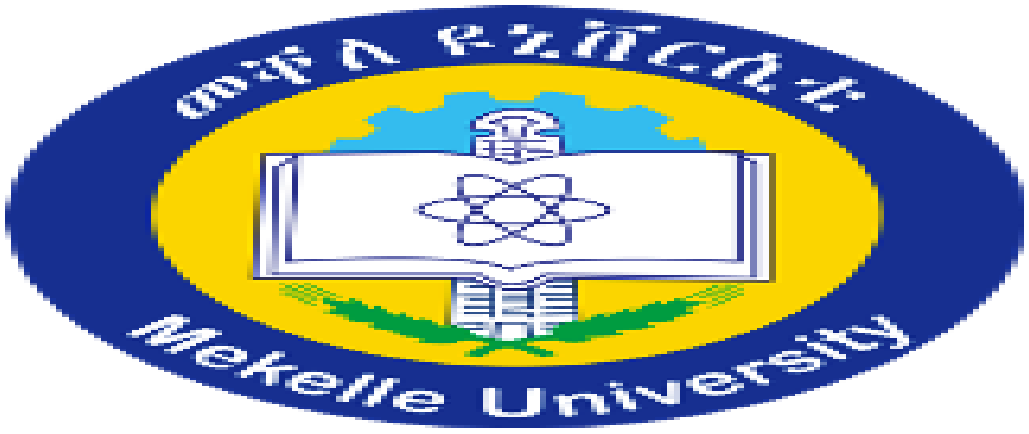


**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ECONOMICS**

# THE ROLE OF MICRO AND SMALL ENTERPRISES IN EMPLOYMENT CREATION AND INCOME GENERATION (A CASE STUDY OF ADI TOWN IN TIGRAY, ETHIOPIA)

**BY: LEGESSE AMBAYE**

**Feb, 2025**

**Mekelle, Tigray, Ethiopia**

**MEKELLE UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ECONOMICS**

# The Role of Micro and Small Enterprises in Employment Creation and Income Generation (A Case Study of Abiy-Adi Town, in Tigray, Ethiopia)

**By: Legesse Ambaye**

**Advisor: Girmay Berhe (Asst. Professor)**

**THESIS SUBMITTED TO THE DEPARTMENT OF ECONOMICS FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENT OF MASTER OF SCIENCE DEGREE IN ECONOMICS.**

**Feb, 2025**

**Mekelle, Tigray, Ethiopia**

# DECLARATION

I, Legesse Ambaye, hereby declare that this thesis "The Role of Micro and Small Enterprises in Employment Creation and Income Generation (A Case Study of Abiy-Adi Town in Tigray, Ethiopia)" is my original work and that it has not been submitted partially or in full, by any other person for an award of a degree in any other university/institution.

**Name of Participant: Legesse Ambaye Signature…… Date…….**

This thesis has been submitted for examination with my approval as student supervisor.

**Name of Advisor: Girmay Berhe (Assistant Professor) Signature……. Date……**

# APPROVAL

The undersigned certify that they have read and hereby recommend to Mekelle University, Business and Economics Department, to accept the thesis submitted by Legesse Ambaye entitled 'The Role of Micro and Small Enterprises in Employment Creation and Income Generation (A Case Study of Abiy-Adi Town in Tigray, Ethiopia) in partial fulfillment of the requirements for the award of a Master of Science Degree in Economics.

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Name of Advisor Signature Date

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Name of Internal Examiner Signature Date

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Name of External Examiner Signature Date

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Name of Head of Department Signature Date

Chairperson of the Center or Graduate Program Coordinator

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## List of Acronyms

| | |
|---|---|
| BoLSA | Bureau of Labour and Social Affair |
| CSA | Central Statistical Authority |
| BoFED | Bureau of Finance and Economy Development |
| FDRE | Federal Democratic Republic of Ethiopia |
| FUDPE | Federal Urban Development Package of Ethiopia |
| GNP | Gross National Product |
| GDP | Gross Domestic Product |
| ILO | International labor organization |
| GIS | Geographical Information System |
| LED | Local Economic Development |
| MCPPP | Mekelle City Plan Preparation Project |
| MELFED | Micro Enterprise Lying Foundation for Economic development |
| MFIs | Micro Finance Institutions |
| MOFED | Ministry of Finance and Economic Development |
| MSEDEGP | Micro and Small Enterprise Dynamic Economic Growth and Poverty |
| MSEs | Micro and Small Enterprises |
| MWA | Mega Watt |
| NGO | Non-Governmental Organization |
| SEAF | Small Enterprise Assistance Fund |
| PASDE | Program for Accelerated and Sustainable Development to End |

USA United States of America


## *Abstract*

*The general objective of the study was to examine* the *Role of Micro and Small Enterprises in Employment Creation and Income Generation taking the town of Abiy-Adi as a case study for this study were collected from 327 respondent individuals who where employees and operators of Micro and Small Enterprises. In addition, secondary data were collected from Tigray regional state bureau of Trade, Industry and Transport .primary data was collected using questionnaire and interviews as data collection instruments. Moreover qualitative data was collected using focus group discussion for data analysis; descriptive statistical tools such as tables, frequency distribution, and percentage were used to describe the responses on the role of Micro and Small Enterprises. The study revealed that MSEs significantly contribute to local economic growth, providing approximately 5-23 jobs per enterprise annually and generating average incomes of enterprise between 30, 000-200, 000 Birr. Micro and Small enterprise also empower Women and Youth, addressing poverty and enhancing livelihoods. However, challenges such as limited access to finance and infrastructure hinder their growth. Most of the Micro and Small Enterprises also face constraints during operation and start up time and the major constraints are found to be lack of finance and unavailability of affordable rented houses. Therefore, Micro and Small Enterprises appear to have great contribution in reducing unemployment and in providing income both for firm owners and employees alike. This study implies that expanding access to finance through credit and improving supply of working place need to be implemented in earnest maintain and boost further the employment and income generation potential of micro and small enterprises.*



***Key Words: Employment Creation, Income Generation and Micro and Small Enterprises***

# CHAPTER ONE

# 1. INTRODUCTION

## 1.1 Background of the study

There has been a general realization that it is not only the big businesses that provide the foundations of a nation's economy. Micro and small enterprises and entrepreneurs have boosted many economies like in the USA and UK, Thus authorities have initiated strategic financial and counseling programs to support them as world economies are based on the reliance on MSEs, which account for a substantial amount of GDP and employment (Fredrick, 2005). For many developed countries such as Japan, Germany, United Kingdom, USA etc., the base for their development and employment creation have been MSEs. The big companies in these countries like Toyota and Sony in Japan are the cumulative product of MSEs and more than 50% of manufacturing products are produced by MSEs (EFDRG, 2011).

More than $10 billion in support for micro and small enterprises development programs on the ground that they have the ability to promote economic growth and alleviate poverty. As noted by Hallberg (2001), the goal of micro and small enterprises development programs is to harness the potential human capital and entrepreneurship that already exists in most economies because they account for a large share of firms and employment. Hallberg, (2001), further argue that micro and small enterprises are the emerging private sector in poor countries, and thus form the base for private sector-led growth which is required as an instrument of poverty alleviation. According to proclamation No.33/1998 that established the Micro and Small Enterprises Development Agency in Ethiopia, the Agency shall be involved in designing policies and strategies for the development and expansion of micro and small enterprises; study the demand for training and conduct it ; establish skill up-grading, technical and demonstration centers in different regions of the country and disseminate information to the entrepreneurs.

MSEs are major contributors to the gross domestic product (GDP) and employment in economies around the world; their financial needs are underserved, which holds back their growth. Where financing is available, it is usually out of reach because of short payback periods and excessive collateral requirements. Ethiopia is one of the developing countries, which have

taken measures to enhance the operation of Micro and Small Enterprises (MSEs) by considering their contributions. UNDP (2012) has indicated that the development of MSE's is the key component of Ethiopians' industrial policy direction that will contribute to the industrial development and economic transformation of the country.

According to the Ethiopian Central Statistical Agency (2008) almost 50 percent of all new jobs created in Ethiopia are attributable to small business enterprises. In Ethiopia there were 974,676 micro and 31,863 small enterprise establishments, which accounted for 99.40% and 0.46% respectively of the industrial establishment. Large and medium enterprises (employing more than ten employees) were 642 accounting for the remaining of 0.11%. Micro and small enterprise provide employment opportunities to 877,370 (89.75%) and 8,929 (0.91 %) respectively (CSA 2008). Large and medium enterprises on the other hand accounted for about 9.34% and 0.91% of industrial employment respectively (CSA 2008). In addition, about 47% and 42% of these MSEs were engaged in manufacturing and petty trading respectively. The remaining 11% were employed in traditional activities (service, agriculture, transport, construction, mining) etc.

Tigray region has a total population of 5,416,988, of whom 2,667,866 are male and 2,749,866 are female Bureau of Finance and Economic Development (BoFED) 2013). In the region, there were 81,270 formal and 34,963 informal MSEs and these MSEs created job opportunity for 221,213 individuals. Of this formal sector MSEs the engagement ratio is such that 22.4% are in urban agriculture, 8% are in construction, 19.4% are in manufacturing, 6% are in service, 45% are in trade and the rest are out of these business types (Tigray Region MSEs Development Agency census, 2013).When we come to the town of Abiy-Adi, there were 2651 formal and 429 informal micro and small enterprises of these formal sector MSEs the engagement ratio is 896 in urban agriculture, 294 in construction, 398 in manufacturing, 842 in service and 650 in trades. Besides, there were a total of 2463 unemployed individuals in the town, of which 611 illiterates, 856 in primary school, 551 in secondary school, 58 diploma graduate, 320 TVET and 67 were university graduate. The major constraints facing MSEs are lack of financial credit , lack of workplace, market problem, lack of managerial skill, problems related with tax, rent etc. (Tigray Regional State Bureau of Trade, Industry and Transport, 2008). Despite the enormous importance of the micro, small and medium enterprises (MSME) sector to the national economy with regards to job creation and the alleviation of abject poverty in Tigray, the sector is facing financial challenges, which impeded its role in the

economy. If young people do not have the opportunity to find work in their country, they spend their time in vain and there will be political, economic and social problems. More specifically the main challenges are lack of access to credit, insufficient loan size, time delay and collateral management experience, poor location, poor infrastructure, low demand for products or services, corruption and shortage of raw materials (Gebrehiwot and Wolday, 2006). The main purpose of this research is to explore the factors that influence micro and small enterprises growth and employment creation at Abiy-Adi town, Tigray region.

The main reason why the researcher chose this topic is that the number of unemployed young people is increasing from time to time at the same time the government has recognized the importance of micro and small enterprise development to the overall economic growth of the country and poverty reduction. To co-ordinate and supports this sector the Micro and Small Enterprise Development Agency has established.

## 1.2 Statement of the problem

In the current situation, many developing countries, like Ethiopia, are highly attached with different problems like poverty, unemployment, traditional culture, famine, illiteracy and high population growth rate and war.

United Nations Office for the Coordination of Humanitarian Affairs (OCHA) - OCHA provides up-to-date information on humanitarian crises worldwide and coordinates responses to emergencies like the situation in Tigray. The convergence of long-lasting conflict and drought in Tigray has created a dire situation for its residents, leading to widespread poverty, unemployment, and economic instability. Addressing these challenges requires immediate humanitarian intervention, sustainable development initiatives, peace building efforts, and long-term solutions to rebuild the region’s economy and social fabric.

A study by Ayyagari, Demirgüç-Kunt, and Maksimovic (2011) highlights that micro and small enterprises (MSEs) are essential for job creation, particularly in developing countries where they make up a large portion of the workforce. MSEs not only provide employment but also contribute to poverty reduction by enabling individuals to generate income and improve their standard of living. Additionally, Kayanula and Quartey (2000) argue that MSEs are often at the forefront of reducing poverty, as they empower individuals and communities to become self-sufficient. By providing access to goods, services, and employment, micro and small enterprises

(MSEs) help alleviate poverty and stimulate local economies. Furthermore, the growth of MSEs can lead to increased productivity and contribute to broader economic development.

In the Ethiopian context, micro and small enterprises (MSEs) play a pivotal role in supporting the country's development goals, particularly through the government's Growth and Transformation Plan (GTP), which envisions MSEs as crucial instruments for poverty reduction, job creation, and industrialization (MoFED, 2011). As a developing country, Ethiopia's policymakers recognize the potential of MSEs to drive economic transformation, especially given their accessibility, low capital requirements, and the ease with which they can be established in urban and semi-urban areas. However, despite their importance, micro and small enterprises (MSEs) in Ethiopia face significant challenges that hinder their growth and development. A key constraint is the limited access to finance, both in terms of working capital and long-term credit. This financial limitation restricts the ability of MSEs to expand, diversify, and fully contribute to economic growth. A study by Abebe and Kedir (2021) highlighted that while MSEs are vital for job creation, the lack of sufficient financial resources prevents many from reaching their potential.

In addition to financial barriers, other constraints include legal and regulatory restrictions, inadequate infrastructure, high transaction costs, and limited managerial and technical expertise. These factors create an environment that stifles MSE development and limits their contribution to the broader economy. According to Zewde and Haji (2020), overcoming these challenges requires not only improving access to finance but also addressing the broader policy and infrastructure issues that affect micro and small enterprises (MSEs). Despite these hurdles, recent efforts by the Ethiopian government have sought to enhance the support for MSEs through policy reforms, targeted financial interventions, and programs aimed at improving the technical skills of entrepreneurs. However, Tadesse (2019) argues that these efforts need to be scaled up and more effectively implemented to ensure that MSEs can serve as the engine for Ethiopia's industrialization and economic diversification as envisioned in the GTP.

In conclusion, while micro and small enterprises (MSEs) in Ethiopia hold significant potential to drive economic growth and achieve government objectives, addressing financial constraints, improving infrastructure, and enhancing managerial capacity are critical to unlocking their full potential.

Recent studies highlight several key challenges that micro and small enterprises (MSEs) face in Ethiopia, particularly in relation to finance. Research by Gebrehiwot and Wolday (2016) emphasizes that inadequate loan sizes, mismatched loan durations, delayed disbursement, and group collateral requirements hinder the expansion and diversification of micro and small enterprises (MSEs). Similarly, Mulu Gebreeyesus (2017) found that, although smaller and younger firms tend to grow faster, they struggle with continued access to finance after initial funding from microfinance institutions and family sources. The study also noted sector-specific growth disparities, with manufacturing showing a higher growth rate compared to trade. Additionally, challenges like limited access to long-term credit, inadequate infrastructure, and high transaction costs persist, as pointed out by World Bank (2008) and Hailay (2003). However, views diverge on the primary barriers, with some arguing that the loan term, rather than access to finance, is the critical constraint (Riba, 1999).

Despite numerous studies on micro and small enterprises (MSEs) globally, there remain significant gaps in understanding their role in employment creation and income generation in specific localities, such as Abiy-Adi Town in Tigray. Existing research tends to focus on larger urban centers like Mekelle, leaving Abiy-Adi underexplored (Bereket, 2010). Furthermore, there is a lack of detailed sector-specific analysis, which hampers targeted interventions (World Bank, 2016). Challenges like limited financial access and inadequate infrastructure are not adequately addressed in local contexts, impeding effective policy support for micro and small enterprises (FAO, 2011). These gaps hinder the development of tailored strategies to support MSEs in the region.

## 1.3. Research Objectives

### 1.3.1. Main objective

The main objective of this study is to examine the determinant factors that influence micro and small enterprises in employment creation and income generation in Abiy-Adi town, Tigray region.

### 1.3.2. Specific objective

1. To assess the trends in the growth of Micro and Small Enterprises in Abiy-Adi town, Tigray region.

2. To assess the role of micro and small Enterprises in employment creation and income generation in Abyi-Adi town, Tigray region.
3. To identify the factors that determines Micro and Small Enterprises (MSEs) growth and employment creation in Abiy-Adi town, Tigray region.

## 1.4. Research Questions

This study aims to find answers to the following research questions research questions

- What does the trend in the growth of MSEs look like in Aby-Adi
- What is the role of Micro and Small Enterprises in employment and income generation in Abiy Adi?
- What are the key factors that influence the income and employment creation of Micro and Small Enterprises (MSEs) in Abiy-Adi town?

## 1.5. Significance of the study

The results of this study contributes in understanding the factors that affect Micro and Small Enterprises Growth and employment creation in Abiy-Adi town , it can be helpful as a supplementary for potential studies in the same and related fields of study and can also serve as a base line for further studies in the town , It may also give inputs to the relevant governmental bodies in the formulation their own researches and policy recommendations, It may also indicate the most important problems of MSEs in the town and help relevant bodies take action to ameliorate the problem.

### 1.6. Scope and Limitation of the Study

Manufacturing industry, urban agriculture, Service sector, Trade sector, and Construction sectors

This study specifically focused on Micro and Small Enterprises with a capital of 1.5 million birr or less. Samples were collected only from enterprises classified as by the Micro and Small Enterprises office according to Ethiopian standards.

The study is limited (MSEs) specifically located within Abiy Adi town. Enterprises outside this geographical area are not included in the research scope selection criteria narrows down the focus of this study.

The capital limit of 1.5- million- birr acts as a restriction, leading to the exclusion of larger enterprises from being part of the study, this limitation may skew the findings towards smaller businesses within the defined capital range. The sampling method relies solely on enterprises classified as MSEs by the micro and small enterprises (MSEs) office. This approach may potentially exclude other relevant businesses that do not fall under this classification but could still provide valuable insights into the research topic.

It is important to note that any findings or conclusions drawn from this study may not be generalizable to all types of businesses or industries beyond those specified within the defined scope. The limitations outlined above impact the applicability of the results to a broader context outside the selected sectors and geographical area.

### 1.7. Organization of the Study

The research has been arranged into five chapters, the first chapter deals about the importance of the research and provides aspects like background of the study, statement of the problem, significance of the study, research objectives and hypothesis, scope and limitations of the study among others. The second chapter deals with the literatures review, which provides the contingency theory used and how it helps to construct the conceptual framework in the empirical review adapted from previous studies. Chapter three, on the other hand states about the research methodology and provides target population, sample size, research design, data collection and analysis methods. While chapter four presents the analysis and discussion part, the last chapter presents summary of findings, conclusion and recommendations sections of the study.

### 1.8. Key terms

1. **Access to Finance:** Limited financial resources hinder Micro and Small Enterprises growth (Gebrehiwot and Wolday, 2019).
2. **Employment Creation:** The process of generating job opportunities through business activities, which can lead to a reduction in unemployment rates and contribute to economic stability

3. **Entrepreneurial Orientation:** Entrepreneurial mindsets have the higher impacts of business performance (Gebrehiwot Tirfe, 2015).
4. **Government Support:** policies and programs aimed at Micro and Small Enterprise development can enhance their operational capacity (Pavanello et at., 2023).
5. **Infrastructure:** The physical and organizational structures needed for the operation of a society or enterprise, such as transportation systems, communication networks, and energy supply.
6. **Income Generation:** The process through which individuals or businesses earn money, typically through the sale of goods and services, investments, or other economic activities.
7. **Relevance:** MSEs are considered crucial for promoting entrepreneurship, creating jobs, and generating income, especially in developing economies like Ethiopia.
8. **Tigray Region:** A regional state in the northern part of Ethiopia, which is home to several towns and villages, including Abiyi-Adi Town.

# CHAPTER TWO

# 2. LITERATURE REVIEW

This chapter reviewed literature related to the research. It included analysis of contingency theory by Fiedler (1964) who postulates that the most appropriate structure for an organization is the one that best fits a given contingency or environment. This section also presented the conceptual framework and summary of literature and research gap.

## 2.1. Definition and classification of Micro and small enterprises

Micro and small enterprises are defined in several countries within their different purposes and intention. Thus, definitions depend on the government policies. There are different MSEs, which have different technological advancement or know how, the nature of the raw materials use and the market they have for their product.

MSEs are typically defined based on various criteria, including the number of employees, annual revenue, and the scale of operations. In the Ethiopian context, the National Policy on Micro and Small Enterprises (2011) defines MSEs based on the number of employees and annual turnover. A Micro Enterprise is defined as a business employing fewer than 10 people, with an annual turnover of less than 100,000 Ethiopian Birr (approximately $2,000). A Small Enterprise, on the other hand, is typically defined as a business employing 10 to 50 people and generating an annual turnover between 100,000 and 1,000,000 Ethiopian Birr (roughly $20,000 to $50,000). Ethiopian Ministry of Trade and Industry (2011). National Policy on Micro and Small Enterprises, Tadesse, M., & Biruk, T. (2021). "Barriers to Accessing Finance for Micro and Small Enterprises in Ethiopia." Journal of Small Business and Enterprise Development

In the global context, the World Bank and other international organizations define MSEs based on employee size and revenue. However, definitions may vary depending on the country and its economic structure. For example, in many developing countries, micro enterprises are often informal, with minimal capitalization, and are a key part of the informal economy (Amin & Tolera, 2020).

### 2.1.1. Classification of MSEs Based on Employment Size

Micro and small enterprises (MSEs) can also be classified based on the number of employees they engage. The Employee-Based Classification divides enterprises into Micro, Small, and

sometimes Medium Enterprises, based on their workforce size. Below is a summary of classification according to employment size in Ethiopia:

Micro Enterprises: Less than 10 employees.

Small Enterprises: Between 10 and 50 employees.

Medium Enterprises: Between 50 and 100 employees (though these are less common in developing economies), Tadesse, M., & Biruk, T. (2021). "Barriers to Accessing Finance for Micro and Small Enterprises in Ethiopia." Journal of Small Business and Enterprise Development.

This classification highlights the importance of employee size in determining the nature of an enterprise, with micro enterprises typically being more informal and small enterprises being more structured, often employing a larger workforce and generating higher revenues.

**Table 2. 1. Definition & classification of MSEs in different countries**

| **Country** | **Category of industry** | **Criteria** |
|---|---|---|
| Ethiopia | Micro enterprise (ME)<br>Small and medium enterprise | Investment paid up capital not exceeding Br 20,000<br>Investment paid up capital Br 20,000-50,000 |
| France | MSE | <500 employees |
| USA | Very small enterprise | 10-499 employees |
| Indonesia | Micro enterprise<br>Small enterprise<br>Medium enterprise | <20 employees<br>20-99 employees<br>100-499 employees |
| Ghana | Micro enterprise<br>Small enterprise<br>Medium enterprise | 1-4 employees<br>5-29 employees<br>30-140 employees |

**Source:** Hailay (2003): The challenges faced by Micro and Small Enterprises (MSEs).

The Ethiopian government defines MSEs based on the size of the capital and level of automation (MSE strategy, 2004). Accordingly micro enterprises are those small business enterprises with a paid up capital of not exceeding Birr 20,000 and excluding high-tech consultancy firms and other

high-tech establishments and Small enterprises are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 50,000.

In the improved definition of MSEs of Ethiopia (MSE strategy, 2011), Ethiopian Ministry of Trade and Industry and Central Statistics Authority (CSA) define MSEs according to the number of employees and capital. Ministry of Trade and Industry adopted official definition of Micro and a Small enterprise in Ethiopia is as follows.

**Table 2.2. Definition of MSEs in Ethiopia according to FeMSEDA**

| Enterprise | Sector | Employee | Capital |
|---|---|---|---|
| Micro | Industry | ≤ 5 | ≤100,000.00 Birr |
| | Service | ≤ 5 | ≤ 50,000.00 Birr |
| Small | Industry | 6-30 | ≤1.5 million Birr |
| | Service | 6-30 | ≤ 500.000.00 Birr |

**Source:** Ethiopian Micro and Small Enterprises Strategy, (2016)

## 2.2. Theoretical Review

A theoretical review on the role of Micro and Small Enterprises (MSEs) in employment creation and income generation, particularly in the context of Adi Town in Tigray, Ethiopia, would examine the broad theoretical frameworks that explain the dynamics of MSEs and their contribution to local economies. Below is a summary of recent literature and theoretical perspectives related to this topic, including citations.

### 2.2.1. The Role of MSEs in Employment Creation and Income Generation

Micro and Small Enterprises (MSEs) are considered key drivers of economic development, particularly in developing countries like Ethiopia. MSEs are known to significantly contribute to job creation, poverty alleviation, and income generation (Amin & Tolera, 2020). The Entrepreneurship Theory highlights how individuals' ability to innovate and take risks can create economic opportunities, particularly in the informal sector, which is a significant part of Ethiopia's MSE landscape (Carree & Thurik, 2010).

### 2.2.2. Employment Creation and Income Generation through MSEs

Micro and Small Enterprises contribute to employment in various ways. The Labor Market Theory suggests that by offering employment opportunities to a diverse range of workers, particularly those in low-income brackets, MSEs can reduce unemployment and increase household income (Audretsch & Keilbach, 2004).

In the Ethiopian context, studies indicate that Micro and Small Enterprises offer a large portion of employment, with individuals often choosing entrepreneurship over formal employment due to limited opportunities in the public sector. The Self-Employment Theory also underscores that Micro and Small Enterprises act as crucial alternatives to wage employment, particularly in regions where formal employment structures are limited (Gunduz & Demirel, 2021).

### 2.2.3. Theories of MSE Growth and Challenges

The growth of MSEs, particularly in Adi Town, is influenced by various internal and external factors. The Resource-Based View (RBV) argues that the success and growth of small businesses depend on the resources they can access, including capital, skills, and market networks (Barney, 1991).

Recent studies have examined the growth and challenges of micro and small enterprises (MSEs) in Ethiopia, highlighting various factors influencing their development. A study by Tarfasa et al. (2016) identified key determinants of MSE growth, including access to finance, managerial skills, and market access. They emphasized that improving these areas is crucial for enhancing the performance of MSEs in Ethiopia.

Similarly, a review by Abera (2022) discussed both internal and external factors affecting MSE growth, such as financial constraints, inadequate infrastructure, and limited managerial expertise. The review underscores the need for targeted interventions to address these challenges and promote the sustainability of micro and small enterprises (MSEs). These studies provide valuable insights into the factors influencing MSE growth and the challenges they face, offering a foundation for developing strategies to support their development in Ethiopia.

In the context of Tigray, limited access to capital and infrastructure remains a challenge, despite the government's efforts to foster entrepreneurship through policies and financial support (Yohannes & Mulugeta, 2022). Moreover, the Institutional Theory suggests that local

institutions, including government policies, market structures, and community norms, play a vital role in shaping the success of MSEs (North, 1990). In Ethiopia, despite government policies aimed at promoting MSE growth, challenges such as lack of adequate infrastructure and limited access to credit continue to hinder the sector's full potential.

## 2.3. Challenges Faced by Micro and Small Enterprises

Below is a recent literature review on the challenges faced by Micro and Small Enterprises (MSEs) in the context of employment creation and income generation, focusing on Adi Town in Tigray, Ethiopia? The review includes citations from recent studies and highlights key challenges these enterprises face.

### 2.3.1. Limited Access to Finance

One of the most common challenges faced by micro and small enterprises (MSEs) in Ethiopia is limited access to finance. The Financial Constraint Theory posits that access to financial resources is crucial for the growth and development of small businesses. In Tigray, many micro and small enterprises (MSEs) lack the necessary capital to expand their operations, which limits their ability to hire more employees or invest in new technologies (Yohannes & Mulugeta, 2022). Despite government microfinance schemes, many micro and small enterprises struggle to obtain loans due to stringent collateral requirements, high interest rates, and a lack of formal credit history (Tadesse & Biruk, 2021).

### 2.3.2. Inadequate Infrastructure and Poor Market Access

Another significant challenge faced by Micro and Small Enterprises in Tigray is inadequate infrastructure, including poor road networks, electricity shortages, and limited access to markets. The Infrastructure and Economic Growth Theory suggests that the availability of good infrastructure is essential for the effective operation of small businesses. Many Micro and Small Enterprises in Adi Town and surrounding areas face difficulties in transporting goods, reaching customers, and accessing reliable energy, which affects their competitiveness and profitability (Gunduz & Demirel, 2021). Limited market access, due to regional instability and logistical barriers, further exacerbates these challenges (Girma, 2020).

### 2.3.3. Lack of Skilled Labor and Training Opportunities

The Human Capital Theory highlights the importance of skilled labor in the success of MSEs. In Ethiopia, there is often a gap between the skills available in the labor force and the skills required for modern business operations. Micro and Small Enterprises owners and their employees often lack technical and managerial skills, which limit their ability to manage and grow their businesses effectively. This is especially true in Adi Town, where access to business training and education is limited (Tadesse & Biruk, 2021).

### 2.3.4. Regulatory and Bureaucratic Barriers

Micro and Small Enterprises in Ethiopia, including those in Tigray, face significant challenges related to regulatory and bureaucratic barriers. The Institutional Theory suggests that the effectiveness of formal institutions, including government regulations, is crucial for the growth of small businesses. Micro and Small Enterprises owners often face delays and unnecessary hurdles when obtaining licenses, permits, or other legal requirements. The complexity of tax systems, inadequate enforcement of property rights, and inconsistent government policies create an unpredictable business environment for Micro and Small Enterprises (Hussein & Amare, 2021).

### 2.3.5. Political Instability and Security Concerns

In the context of Tigray, political instability and security concerns have been significant barriers to the growth of Micro and Small Enterprises. The ongoing conflict in the region has disrupted supply chains, led to business closures, and created uncertainty in the market. According to the Political Economy Theory, political stability is crucial for creating a favorable business environment. In regions affected by conflict, Micro and Small Enterprises struggle to operate effectively, resulting in reduced employment opportunities and income generation (Girma, 2020).

### 2.3.6. Limited Networking and Business Linkages

The Social Capital Theory suggests that networking and business linkages are essential for the success of small businesses. Micro and Small Enterprises in Ethiopia often face challenges in establishing strong business networks due to geographic isolation, limited access to information, and lack of support structures. Without strong networks and business linkages, Micro and Small

Enterprises struggle to access new markets, suppliers, and customers, which affect their growth and sustainability (Yohannes & Mulugeta, 2022).

## 2.4. Government support to Micro and Small Enterprises

Ethiopia has recognized the significance of MSEs in fostering employment and reducing poverty. As such, the government has implemented several policies and frameworks aimed at supporting micro and small enterprises (MSEs). The National Micro and Small Enterprises (MSEs) Development and Promotion Strategy (2011) outline the importance of MSEs in creating job opportunities and stimulating local economic growth. This strategy provides guidelines for addressing the challenges faced by MSEs, including limited access to finance, lack of business development services, and poor infrastructure.

Ethiopian Ministry of Trade and Industry (2011). National Micro and Small Enterprises Development and Promotion Strategy.

The government's support policies focus on four main areas:

Access to finance: Ensuring that MSEs have access to affordable credit and financial services.

Capacity building and training: Providing technical and managerial training to entrepreneurs.

Infrastructure development: Improving infrastructure, including roads, energy, and business parks.

Regulatory reforms: Simplifying bureaucratic procedures to make it easier for MSEs to start and operate.

### 2.5. Contribution of MSEs to Employment creation

Micro and Small Enterprises (MSEs) play a pivotal role in employment creation and income generation in Ethiopia, particularly in regions like Tigray.

A study by Rahel and Issac (2017) highlights that micro and small enterprises (MSEs) are fundamental in poverty reduction and employment creation, especially for women.

In the Tigray region, MSEs significantly contribute to the local economy by providing employment opportunities and generating income. Research indicates that MSEs in Tigray have

a substantial impact on employment creation and income generation, underscoring their importance in the region's economic development.

These findings underscore the critical role of MSEs in fostering economic growth and improving livelihoods in Ethiopia, particularly in the Tigray region.

### 2.6. Empirical Literature Review on micro and small enterprises (MSEs)

Micro and small enterprises (MSEs) play a crucial role in economic development, particularly in developing regions such as Tigray, Ethiopia. These enterprises are often seen as vital for employment creation and income generation, contributing significantly to local economies..6. Empirical Literature Review on MSEs

#### 2.6.1. International Experience

Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by micro and small enterprises (MSEs), which create 7 out of 10 jobs. However, access to finance is a key constraint to SME growth; it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries.

The recognition of SMEs as a means to employment generation and poverty reduction has led to the establishment of various interventions by government and private sub-sector organizations in an attempt to achieve greater socio-economic objectives in their respective countries. Studies show that Micro and small enterprises have massive contributions for reducing poverty especially in urban area. Scholars have been conducting a scientific research and get ample results in the area of micro and small enterprises (MSEs).

According to Kongolo (2010), a successful and growing economy is usually characterized by vibrant and prosperous SMEs sub-sector. However, SMMEs contribute largely in well developed

countries, where high level of education, low inflation rate and a high level of financial support are evident (Booyens, 2011).

Although the economic performance of SMMEs might not be significant in other economies, their important contribution with regard to innovation, facilitating change and competition are essential.

In recognition of the crucial role of SMMEs in economic growth and development in developed countries such as in the European Union, SMMEs account for about 98 and 99% of the majority of enterprises in these countries and provide jobs for over 100 million people, which are over 2/3 of total private employment (Kongolo, 2010; Fumo and Jabbour, 2011). Looking at countries such as Australia, 95% of businesses are regarded as SMMEs, whiles' Germany"s economic growth was also led by SMMEs.

Job creation studies indicate that the employment dynamics associated with business formation and closure is critical to the overall contribution of small business (Chalera, 2007).

Additionally, Small businesses are considered as the creators of jobs and are what constitute the US economy (Chowdhury, 2007; Kongolo, 2010). Throughout the period 2001 to 2003, small businesses with less than 20 employees improved employment by 853, 074. These enterprises account for 99.7% of the firms, generating more than half of the private sub-sector's gross domestic product, including 60% to 80% of the employment in the economy.

Micro and Small Enterprises (MSEs) are pivotal in employment creation and economic development across Africa. In Nigeria, for instance, Small and Medium Enterprises (SMEs) account for about 50% of the national GDP, 96% of businesses, and 84% of employment, underscoring their significant role in the economy. Similarly, in Ethiopia, MSEs contribute substantially to employment and income generation. A study published in 2022 found that Micro, Small, and Medium Enterprises (MSMEs) significantly contributed to sustainable development goals in Ethiopia by creating employment, alleviating poverty, and promoting economic growth.

In terms of employment creation opportunities, the sub-sector consists of different types of activities including small to medium scale Manufacturing and service businesses.

### 2.7. Conceptual Framework

A conceptual framework has been built based on the theories presented above and a survey of the

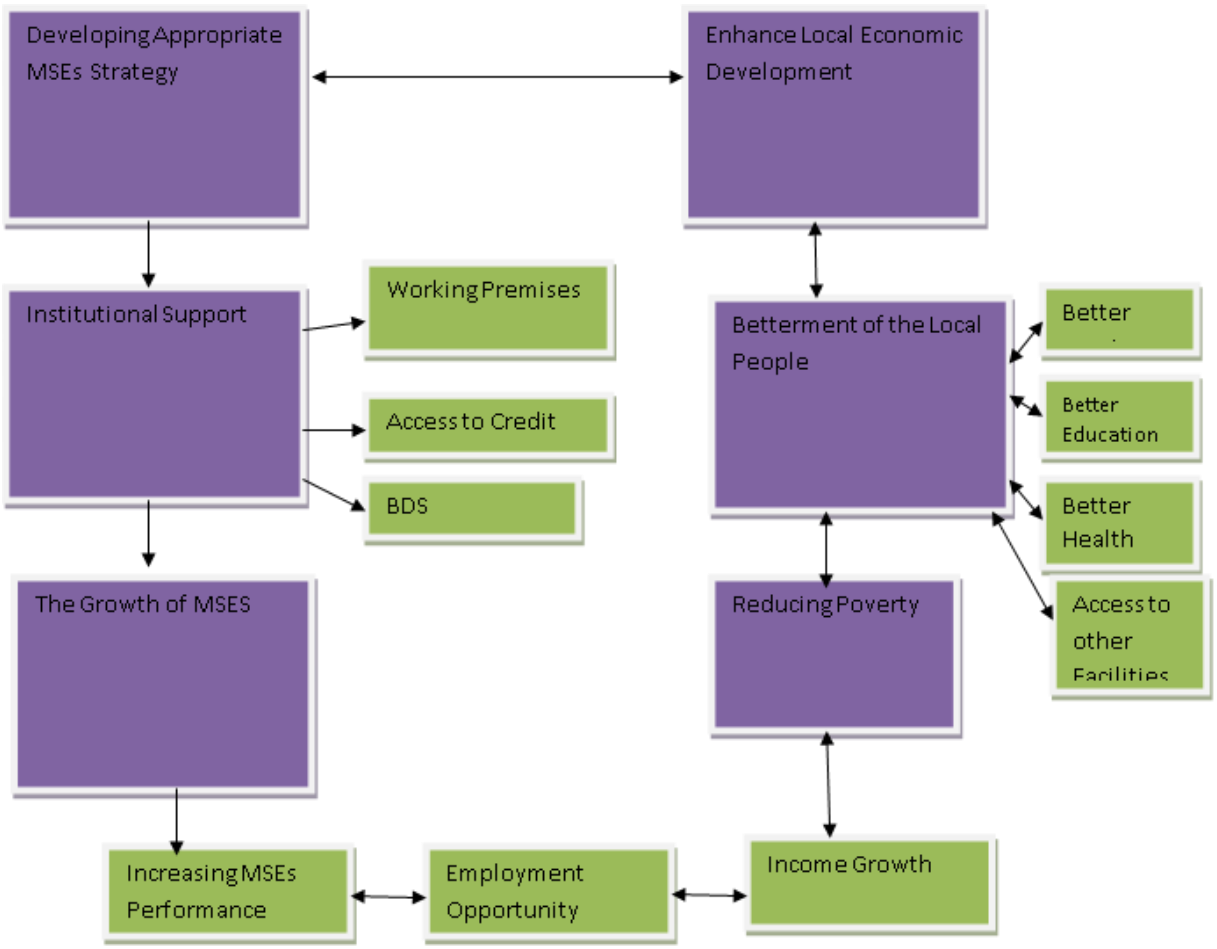
literature. Figure 2-1 shows the conceptual framework f6r this study which enables the operationalization of the dependent variable and identification of the independent variables.

Local economic development emanate from the utilization of local resources by the local people. For this purpose, diversified actors working in the community have duties and responsibilities so that they participate in different economic activities to enhance the local economy. Micro and Small Enterprises have huge potential in contributing to national economic development in general and local economic development in particular. Hence, to achieve this MSEs should get the proper attention and support from concerned parties.

The local government or agencies should develop strategies to ease the enhancement of micro and small enterprises (MSEs) managers either through providing institutional support or creating linkage with stakeholders and other non-governmental support agencies in different direction. For example, offering business development Services (BDS) improve the performance of the enterprise, its access to markets, and its ability to compete. Working premises and financial problem are among the major problems that micro and small enterprises (MSEs) face during starting period hence government and also stakeholders should address such problems to promote micro and small enterprises (MSEs).

MSEs that acquire essential institutional support have a potential to develop efficiency in their output so that they perform their tasks systematically and in well-organized ways. As unemployment is one of predicaments in the society, this problem is addressed through the creation of employment opportunity for the local people by potential micro and small enterprises (MSEs). As a result, the local people will generate their own livelihood and have income in due course this people will save as well as pay the necessary taxes for the government. Also, by enhancing the income of the managers, the living condition of the actors will improve through time if the local resources used in an efficient ways.

The income generated from the local people coming from the enterprises serves the development of the locality meanwhile they pay taxes for the local government which is the foremost source of local development. Taxes coming from such actors and institute increase the rate of development in the locality and it also increases the participation of the resident in the process of local development.




**Source:** Munira, (2019)

# CHAPTER THREE

# 3. RESEARCH METHEDOLOGY

## Introduction

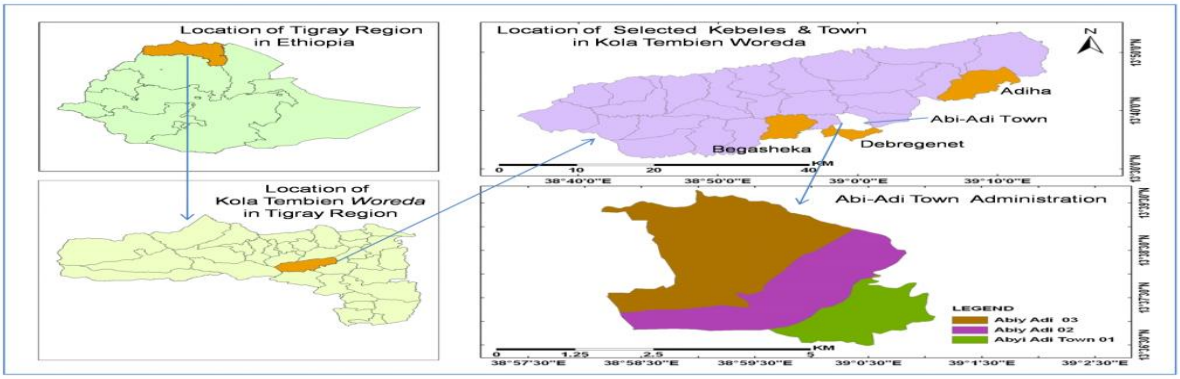
This chapter describes the research approach and design, the study's demographic, sample size, sampling technique, data type and source, data collection instrument, data gathering protocol, data analysis method, and ethical concerns to be used.

### 3.1. Description of the Study Area

Abiy-Adi, is a town in the central Zone of Tigray Regional State .It is located at geographic coordinates of 14° 30' N latitude and 38° 45'E Longitude. The town is situated at a distance of 95 km North of Mekelle and 878 km North of Addis Ababa. The town is categorized under Woina Dega or subtropical climatic zone with an annual rainfall of 500 -950 mm and a mean annual temperature of 18.5$^{o}$C. The average elevation of the city is 1850m ASL. Most parts of the city (greater than 75 percent) are flat having a slope varying between zero and 8 percent, thus creating no constraint for expansion regarding this. The Eastern part of the town, which contains the "hill rocks, mountains etc., has steep slopes (i.e., greater than 25 per cent), (Abiy-Adi IDP, 2016).

According to the Feminist Dalit Organization (FEDO) of Abiy-Adi, (2013), the total population of the town is 23,123 out of which 11,608 are males and the remaining 11,515 are females. The male population accounts for 50.2 % whereas female accounts for 49.8 %. The town is divided in to three administrative Kebele's and the Kebele's are also divided in to 'Ketena' (the smallest administrative unit). According to the reports of the town municipality 2016, the major economic activities in the town were identified to be Manufacturing, Public Administration/Social Services, Trade activities, Agriculture, Construction and Transport-related activities. Employment in manufacturing is basically represented by small scale industries such as weaving of traditional clothes, constructions, etc.

**Fig 3.1 The Study area**




**Source:** Micro and Small Enterprises of Tigray, Ethiopia (2019)

## 3.2. Research Design

This study used both descriptive and explanatory research design which designs a questionnaire survey instrument to assess the determinant factors that influence Micro and Small Enterprises on employment creation and income generation in Abiy-Adi town, Tigray region. A survey was used to the select sample from a specific population. Robson (1993) suggests that the term 'survey' is commonly applied to a research methodology designed to collect data from a specific population, or a sample from that population, and typically utilizes a questionnaire or an interview as the survey instrument.

Descriptive survey research design was a procedure in quantitative research in which studies administer a survey to a sample or to the entire population of people to numerically describe the attitudes, opinions, and characteristics of the population (Cresswel, 2012, p.30).

In this procedure, data was collected using questionnaires and interviews. The data was statistically analyzed to describe the trends about the responses to the questions and to test research questions. Then, the meaning of the data was presented and interpreted.

### 3.3. Research Approach

To attain the objective of the study and answers the research questions, the researcher adopted a mixed research approach. The rationale of using a mixed approach was to gather data that could not be obtained by adopting a single method (Creswell, 2003). Hence, the basis of such approach helps to reduce the limitations of applying a single approach in connection with the qualitative and quantitative nature of the research questions.

The study used a quantitative research approach since the major focus of this study was to examine the determinant factors that influence MSEs on employment creation and income generation in Abiy-Adi town, Tigray region through collection of data, so that information were quantify and subject to statistical treatment.

A quantitative approach and deductive reasoning was utilized in order to gather appropriate data and test the theoretical framework so as to gain general understanding of the perceived critical factors that determines the economic growth of Small Business Enterprises in the study area. From the qualitative approach, the researcher used interview and questionnaire in order to assess the determinant factors that influence MSEs on employment creation and income generation in Abiy-Adi town, Tigray region.

## 3.4. Target Population

The target populations of the study were 1,794 Micro and Small Enterprises (MSEs) in Abiy-Adi town, distributed across three tabias (the smallest administrative unit in Tigray). These MSEs were categorized into five sectors: Urban agriculture, Manufacturing, Construction, Service, and Trade. The distribution of the MSEs among these sectors was as follows: 240 in urban agriculture, 251 in manufacturing, 159 in construction, 600 in service, and 544 in trade. This breakdown provides insight into the composition of the MSEs in Abiy-Adi town across different sectors, highlighting the diversity and distribution of economic activities within the region.

To develop the required data structures and information for the study, a sample size was drawn from this target population. It is important to note that the sample size should be representative of the target population to ensure the validity and reliability of the research findings.

**Table 3.1. Micro and Small enterprises of Abi-Adi Town**

| Name of the sector | Target population | Sample size |
|---|---|---|
| Urban Agriculture | 240 | 44 |
| Construction | 159 | 29 |
| Manufacturing | 251 | 46 |
| Service provider | 600 | 109 |
| Trade | 544 | 99 |
| Total | 1794 | **327** |

**Source: Field Survey (2019)**

The above table provides a clear breakdown of the different segments within the target population that would be relevant for studying the determinant factors that influence MSEs on employment creation and income generation in Abiy-Adi town, Tigray region.

### 3.5. Sample size Determination and Sampling Techniques

#### 3.5.1. Sample size:

The total population for the sample size was determining with consideration of representativeness. The study applied a simplified formula in order to determine the required sample size formulated by Kothari (2004) at 95% confidence level and with a 5% precision level (margin of error) as follows.

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

$$n = 1{,}794/(1+ 1{,}794(0.05)^2)$$

$$n \approx 327$$

Where ‘n’ is the sample size, N is the population size, and e is the level of precision having 95% confidence level and 5% level of precision the sample size. According to the above formula, the sample size of the study was approximately 327. Therefore, a sample size of 327 MSEs would be sufficient to estimate the true population value with a 95% confidence level and a 5% margin of error, assuming that p = 0.5. According Saunders, (2005) a sample is considered adequate if sample greeter than 30 % and more than 10 % of the population.

**Table 3.2 Proportion allocation of the strata**

| No. | Strata | Total population (ni) | Total population of the study (N) | Sample size | Sample from strata Si= ni/N*n |
|---|---|---|---|---|---|
| 1 | Urban agriculture | 240 | 1794 | 327 | 44 |
| 2 | Manufacturing | 159 | 1794 | 327 | 29 |
| 3 | Construction | 251 | 1794 | 327 | 46 |
| 4 | Service | 600 | 1794 | 327 | 109 |
| 5 | Trade | 544 | 1794 | 327 | 99 |
| **Total** | | **1794** | 1794 | 327 | **327** |

**Source: field survey (2019)**

Using the proportional allocation, the sample size for urban agriculture, manufacturing, construction, service and trade 44, 29, 46, 109, and 99 respectively selected from each Micro and Small Enterprises.

### 3.6. Source of Data

The study used different methods as a means of data collection, analysis and report preparation. The researcher used both primary and secondary source of data based on a structurally designed questionnaire which includes both closed ended and open- questions.

### 3.7. Data analysis and interpretation

Once the data was checked for completeness and become ready for analysis, the data from the field was first coded according to the themes researched on the research. This enabled the use of computer in the summarizing of data in tables. Statistical Package for Social Sciences (SPSS)

was used to analyze the relevant data collected from respondents. The refined data was reanalyzed using descriptive statistics involving percentages and frequency which is used for dummy variables in qualitative way and minimum maximum, mean and standard deviation was used for continuous variables to summarize and present of the quantitative data. Frequency distribution, tables and pie charts were used to organize and give a summary of the data and display in a meaningful and understandable manner to help in describing and interpreting the outcome of the research.

Errors related to inconsistency of data was checked and corrected during data cleaning.

In processing the data, filled and completed questionnaires were carefully checked to assure that the data is accurate and uniformly entered. Then the data is arranged to facilitate percentage and tabulation system by coding data that was made by assigning symbols to the response of the population and group into limited number of categories. To arrive at the percentages and tabulations, the researcher used both Excel and SPSS as tools to incorporate into a document or research presentation.

### 3.8. Validity and Reliability

#### 3.8.1 Validity

The face or content validity of the data collection instruments was done based on the expertise suggestions and feedback whereas the reliability was measured using Cronbach Alpha statistical measures. To ensure reliability, the researcher adopted a dynamic sampling and data collection technique ensuring that the study is relevant and measurable throughout the duration of the research. Triangulation techniques of the interview and observation were used to address credibility as in (Bryman, 2008).

#### 3.8.2. Reliability

According to Bisschoff and Koebe (2005), reliability refers to whether the findings of the research would be consistent if the study were repeated with same participants in a similar context. It requires the researcher to have a thick description of the research process. This was addressed by overlap methods (interview and observation) and ensures that the researcher had properly provided and explained them. Conformability offers freedom from bias from the procedures and results.

### 3.9. Ethical Consideration

According to Cant (2005:11), ethics refers to the commonly accepted standards of right and wrong behavior. All participants will be selected voluntarily, and interviewed, and their identities will be kept confidential. The responses provided will remain confidential, as respondents will not be required to include their names or any identifying information. The researcher will also inform the participants about how the information collected from them will be used. Curry (2010:56) asserts that good researchers should respect the right of participants to choose whether or not to take part in the study, and participants should never be coerced into participating at any point. During data collection, the researcher will use both English and Amharic languages to ensure that the issues and questions are clearly understood by the participants.

# CHAPTER FOUR
# RESULTS AND DISCUSSION

In this chapter, the data collected from respondents were analysed and interpreted using quantitative analysis which involves analysis of the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. To analyse the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out using Statistical Package for Social Science (SPSS version 26.0.)

## 4.1. Response Rate

The response rate of 92.05% (301 out of 327 questionnaires returned) for this study is considered adequate and reliable for analysis, as it exceeds the commonly accepted minimum threshold of 50% suggested by Babbie (2002). A high response rate is desirable because it reduces the risk of nonresponse error, where the respondents differ significantly from those who did not respond, potentially biasing the results. However, it's important to note that the adequacy of a response rate depends on various factors, such as the study's objectives, the population being surveyed, and the data collection method used. For instance, a response rate of 50% may be considered low for a survey of the general public, but acceptable for a survey of busy executives. Additionally, the representativeness of the sample is crucial. Even with a high response rate, if the respondents are systematically different from the non-respondents, the results may not accurately reflect the target population. Therefore, it's essential to assess the characteristics of the respondents and non-respondents to determine if there are any significant differences that could impact the study's findings.

In conclusion, while the 92.05% response rate for this study is above the commonly accepted minimum threshold and suggests a reliable dataset, the representativeness of the sample should also be evaluated to ensure the validity of the study's conclusions.

### 4.2. Demographic Characteristics of Sample Respondents

Since the general characteristics of the respondents are vital to get insights to the overall study the researcher’s shall start by seeing the demographic nature of the respondents and also it is crucial in order to describe the appropriate context. In this study the researcher tried to assess the character of the respondent enterprises and the results are summarized in the next tables below.

**Table 4.1. Sampling Frame of MSE Owners**

| No | Description | Respondents | percentage |
|---|---|---|---|
| 1 | Sample size | 327 | 100% |
| 2 | Questionnaire Distributed | 327 | **100%** |
| 3 | Questionnaire Returned | 301 | 92% |
| 4 | Did not Respond | 26 | 8.0% |

**Source: Field Survey (2019)**

As shown in Table 4.1 above, it can be explained that out of the total 327 distributed sets of questionnaires,290 (89%) of the questions were returned and properly filled and used for analysis purpose and while the remaining 37 questionnaires did not return due to various reasons and yield response rate of (290/327* 100= 88.6%. Fincham (2008) says, Response rates approximating 60% for most research should be the goal of researchers and certainly are the expectation of the Editor and Associate Editors of the Journal.''

**Table 4.2. Demographic Characteristics of Respondents**

| Variable | | Frequency | Percent |
|---|---|---|---|
| **Sex** | Male | 159 | 52.8 |
| | Female | 142 | 47.2 |
| | **Total** | **301** | **100.0** |
| **Marital Status** | Married | 51 | 16.9 |
| | Unmarried | 201 | 66.8 |
| | Divorced | 49 | 16.3 |
| | **Total** | **301** | **100.0** |
| **Religion** | Orthodox | 110 | 56.5 |
| | Muslim | 39 | 13.0 |
| | Protestant | 86 | 28.6 |
| | Catholic | 66 | 21.9 |
| | **Total** | **301** | **100.0** |
| **Educational Level** | Illiterate | 47 | 15.6 |
| | Diploma | 99 | 32.9 |
| | First degree | 140 | 46.5 |
| | 2nd Degree and above | 15 | 5.0 |
| | **Total** | **301** | **100.0** |

**Source: Field Survey (2019)**

The data provided presents demographic information about a sample of 301 individuals across several variables: sex, age, marital status, religion, and educational level. Below is a brief description of each variable based on the frequencies and percentages given.

### 4.2.1. Sex Distribution

Male: 159 (52.8%), Female: 142 (47.2%) The sample has a slight male majority, with males constituting about 52.8% of the population, while females make up 47.2%. Therefore, the population is slightly more male-dominated, with males making up over half of the total respondents.

### 4.2.2. Marital Status

Married: 51 (16.9%), Unmarried: 201 (66.8%), Divorced: 49 (16.3%), but there was no under 18 age. A significant majority of the population is unmarried (66.8%), while married individuals make up 16.9%, and divorced individuals account for 16.3%. Therefore majority of the population is unmarried, suggesting a younger demographic or cultural factors influencing marital status.

### 4.2.3. Religion

Orthodox: 110 (56.5%), Muslim: 39 (13.0%), Protestant: 86 (28.6%) and Catholic: 66 (21.9%). The religious affiliation shows that Orthodox individuals form the largest group at 56.5%, followed by Protestants (28.6%). Muslims and Catholics represent smaller portions of the sample at 13.0% and 21.9%, respectively. The Orthodox religion is the most prevalent among the respondents, followed by Protestantism.

### 4.2.4. Educational Level

Illiterate: 47 (15.6%), Diploma: 99 (32.9%), First Degree: 140 (46.5%) and also 2nd Degree and above: 15 (5.0%). In terms of education, the majority of individuals have a first degree (46.5%), followed by those with a diploma (32.9%). A smaller percentage is illiterate (15.6%), and only 5.0% have a second degree or higher. Hence, the majority of the respondents have at least a first degree, indicating a relatively educated population, while a small percentage is illiterate. This demographic breakdown provides insight into the characteristics of the sample population,

highlighting key aspects such as a predominance of younger individuals, a high rate of unmarried status, and a significant educational attainment level. The demographic characteristics provided consist of various variables such as sex, age, marital status, religion, and educational level, along with their corresponding frequencies and percentages. Here's a brief description of each characteristic based on the data.

Studies have shown positive relationships between the level of education of the small business owner and success (Akinboade, 2015). Akinboade (2015) posited that increased level of education of an entrepreneur resulted in an improvement in turn overgrowth of small businesses. Overall, this demographic data reflects a population that is predominantly young, with a significant number of individuals pursuing education, and a notable proportion of unmarried individuals.

### 4.3. Enterprise Information

In this study, Micro and Small Enterprises established five years earlier are the focus of the study. This is to see the trends and growth rates of Micro and Small Enterprises over the course of time. However, there were no cooperative owned construction sectors of Micro and Small Enterprises in Abi-Adi Town before 2005 (Mekelle Bureau of Trade, Industry and Transport 2008). All of the construction cooperatives were established after 2005.

**Table 4.3. Ownership of enterprise**

| | | Frequency | Valid Percent |
|---|---|---|---|
| Valid | Sole | 100 | 16.9 |
| | Enterprises | 201 | 66.8 |
| | Total | 301 | 100.0 |

**Source: Field Survey (2019)**

The findings in Table 4.3 above highlight that enterprises are the dominant form of enterprise ownership in this survey, reflecting trends towards larger, possibly more resource-rich business entities. This could indicate a shift in the business landscape towards more formalized and potentially scalable business models

**Table 4.4. Location of enterprise related to market area**

| | | Frequency | Valid Percent |
|---|---|---|---|
| Valid | Manufacturing | 52 | 17.3 |
| | Industrial | 98 | 32.6 |
| | Traditional Market | 81 | 26.9 |
| | Commercial district shop | 70 | 23.3 |
| | Total | 301 | 100.0 |

**Source: Field Survey (2019)**

Table 4.4 above presents an analysis of the distribution of enterprises based on their location in relation to the market area.

The largest segment accounting for 32.6% of the total enterprises indicates a strong presence of businesses focused on industrial activities. Comprise 26.9% of the enterprises, reflecting a significant portion of businesses operating in more conventional, community-oriented settings. Represent 23.3% of the enterprises, indicating a notable concentration of businesses in commercial areas designed for retail and services. Accounts for 17.3%, suggesting a smaller but important segment of enterprises focused on healthcare-related services. The data reveals a diverse distribution of enterprises across various market areas, with industrial locations leading. This distribution may reflect the economic activities and consumer needs within the surveyed region, highlighting the importance of both traditional and modern business environments.

### 4.4. Dynamics or Growth of MSEs

#### 4.4.1. Trends of MSEs in Abyi-Adi Town Tigray, Ethiopia

In Table 4.4 below it is indicated, the number of Micro and Small Enterprises (MSEs) in Abyi-Adi Town, Tigray, Ethiopia, play a crucial role in local economic development. The town, characterized by a diverse range of service, retail, and production enterprises, serves as an economic hub for surrounding villages. Micro and Small Enterprises contribute significantly to job creation and income generation, with a notable percentage of ownership by women (approximately 49.87%). The majority of Micro and Small Enterprises in Abyi-Adi are involved

in trade (36.5%), services (25%), and urban agriculture (20%), indicating a diverse economic base. Despite their importance, Micro and Small Enterprises face challenges such as limited access to capital, market fluctuations, and gender disparities in performance and ownership. The establishment of supportive policies and programs can enhance the performance of Micro and Small Enterprises, particularly in urban settings like Abyi-Adi, where economic activities are concentrated. These trends highlight the vital role of Micro and Small Enterprises in fostering economic resilience and development in Abyi-Adi and the broader Tigray region.

The growth trends of Micro and Small Enterprises (MSEs) in Abyi-Adi Town, Tigray, Ethiopia, from 2004 to 2008 can be summarized in the following table, which categorizes enterprises into manufacturing, construction, and service sectors.

**Table 4.5: Growth Trends of MSEs in Abyi-Adi Town (2004-2008)**

| Year | Manufacturing | Construction | Service | Total | Annual growth rate in percentage (%) |
|---|---|---|---|---|---|
| 2004 | 10 | 5 | 15 | 30 | 10% |
| 2005 | 12 | 8 | 18 | 38 | 12.7% |
| 2006 | 15 | 10 | 20 | 45 | 15% |
| 2007 | 18 | 12 | 25 | 55 | 18.3% |
| 2008 | 22 | 15 | 30 | 67 | 22.3% |

**Source: Field Survey (2019)**

Table 4.5above, outlines the growth trends of micro and small enterprises (MSEs) in Abyi-Adi Town over the years 2004 to 2008, detailing the number of enterprises in the manufacturing, construction, and service sectors. 2004: A total of 30 enterprises were recorded, 2005: Increased to 38 enterprises, showing growth in all sectors, 2006: Further growth to 45 enterprises, indicating a positive trend, 2007: Continued growth with 55 enterprises and 2008: The total reached 67 enterprises, marking a significant increase.

Manufacturing: Grew from 10 enterprises in 2004 to 22 in 2008. Construction: Increased from 5 enterprises to 15 over the same period. Service expanded from 15 enterprises to 30, showcasing

robust growth. The annual growth rate in percentage reflects the increasing number of enterprises, indicating a thriving entrepreneurial environment in Abyi-Adi Town.

The data shows a consistent upward trend in the number of MSEs across all sectors, with the service sector experiencing the most significant growth. This growth can be attributed to various factors, including increased access to capital, supportive local policies, and a favorable business environment. The growth trends from 2004 to 2008 demonstrate a vibrant expansion of MSEs in Abyi-Adi Town, particularly in the service sector. This trend is indicative of a strengthening local economy and highlights the importance of continued support for MSEs to sustain growth. Implement targeted support programs to foster growth in all sectors, particularly in manufacturing and construction. Enhance access to financial resources for MSEs to facilitate further expansion and innovation. Provide training programs to equip entrepreneurs with the necessary skills to manage and grow their businesses effectively by Field Survey (2024).

### 4.4.2. Initial Capital versus Current Capital of the Enterprise

Table 9 below indicates that the amount of initial capital of MSEs for starting business ranges from 100-106,000 birr. Nonetheless most of the MSEs (49.3 percent) were their initial capital between 100-5,000birr. Others (20.7 percent) of the enterprises were their initial capital between 20,001-50,000Birr. When the sectors compared, there is no major difference among sectors. Majority of all the sectors were their initial capital between 100-5,000 birr that was 40 percent, 64.2 percent, 43.8 percent for manufacturing, construction and service respectively. Next to 100-5,000 birr, most of the respondents of the three sectors were their initial capital from 20,001-50,000 birr and 27.5 percent of the respondents of the manufacturing sector, 8.8 percent of the construction sector and 25.8 percent of the service sector were their initial capital between 20,001-50,000 birr.

The initial capital of enterprises in Abyi-Adi Town, Tigray, Ethiopia, categorized by manufacturing, construction, and services sectors, is presented in the following table:

**Table 4.6. The urban agriculture sector**

| Average Capital level | Capital level |
|---|---|
| Average Employees/ MSE | 5.7-8.4 |

| | |
|---|---|
| Owner Income | 30,001 - 60,000 birr |
| Employee Income | 7,402 - 8,402 birr |

**Source: Field Survey (2019)**

The urban agricultural sector of micro and small enterprises (MSEs) in Abyi Adi Town plays a crucial role in employment creation and income generation. MSEs have shown a significant growth rate, contributing to job opportunities and financial stability for many residents. Employment Creation: MSEs provide diverse job opportunities, with an average of 5.7 to 8.4 employees per enterprise depending on ownership type. Income Generation: Most MSE owners earn between 30,001-60,000 birr annually, while employees earn around 7,402-8,402 birr.

**Table 4.7. Initial Capital of the enterprises**

| Initial Capital (ETB) | Manufacturing | Construction | Service | Agriculture | Total |
|---|---|---|---|---|---|
| | Freq. | Freq. | Freq. | Freq. | Freq. |
| 100-5, 000 | 5 | 3 | 10 | 2 | 20 |
| 5,001-10, 000 | 8 | 5 | 15 | 4 | 32 |
| 10,001-15, 000 | 10 | 7 | 18 | 5 | 40 |
| 15, 001-20, 000 | 12 | 9 | 20 | 6 | 47 |
| 20, 001-50,000 | 15 | 12 | 25 | 8 | 60 |
| 50, 001-106, 000 | 18 | 15 | 30 | 10 | 73 |
| Total | 68 | 51 | 118 | 35 | 272 |

**Source: Field Survey (2019)**

This data reflects the initial capital investments required for different sectors based on a field survey conducted in 2024. The agricultural sector shows a growing need for investment to enhance productivity and economic contribution. The analysis of initial capital distribution across various sectors in Ethiopia reveals significant investment patterns. In the town of Abyi Adi within the Tigray region, the manufacturing sector has suffered significant damage, leading to a decrease in both assets and capital. Conversely, sectors such as trade, agriculture, services,

and construction have not only survived but have also experienced growth in their assets and capital.

The Manufacturing sector shows the highest frequency of investments, totaling 68, indicating a robust interest in industrial development. The Service sector follows with 118, suggesting a growing demand for services in the economy. The Agriculture sector, despite its critical role, has the lowest frequency at 35, highlighting potential underinvestment in this vital area. Overall, the total capital distribution across all sectors is 272, indicating a diverse investment landscape. These findings underscore the need for targeted policies to enhance agricultural investment while sustaining growth in manufacturing and services. Sources: Meyer & Treis (2021)1, Ethiopian Journal of Natural and Computational Sciences (2022)3.

Table 4.7 above, presents the distribution of initial capital among micro and small enterprises (MSEs) in the manufacturing, construction, and service sectors in Abyi-Adi Town. The table categorizes enterprises based on their initial capital ranges, providing insights into the financial starting points of these businesses.

The service sector has the highest number of enterprises (62), indicating a strong presence of businesses in this area, particularly in the capital range of 50,001 - 106,000, which accounts for 48.4% of the total. The manufacturing sector shows a significant concentration of enterprises in the mid-range capital categories, especially in the 20,001 - 50,000 range, which comprises 36.6% of manufacturing enterprises. The construction sector has fewer enterprises overall, with a notable presence in the lower capital ranges, suggesting that many construction businesses may be starting small or are less capital-intensive.

The data indicates that the majority of MSEs in Abyi-Adi Town operate within the initial capital range of 50,001 - 106,000, particularly in the service sector. This suggests a moderate level of investment across sectors, with opportunities for growth and expansion. Understanding the capital distribution can help inform policies and support programs aimed at enhancing the financial capabilities of Micro and Small Enterprises by Field Survey (2024)

**Table 4.8. Current Capital of the Enterprises**

| Current Capital | Manufacturing | Construction | Service | Agriculture | Total |
|---|---|---|---|---|---|

| | Freq. | Freq. | Freq. | Freq. | Freq. |
|---|---|---|---|---|---|
| 300-10, 000 | 5 | 3 | 10 | 2 | 20 |
| 10,001-20, 000 | 8 | 5 | 12 | 4 | 29 |
| 20,001-100, 000 | 15 | 10 | 20 | 6 | 51 |
| 100, 001-200, 000 | 10 | 8 | 15 | 3 | 36 |
| 200, 001-500,000 | 3 | 2 | 5 | 1 | 11 |
| **Total** | **41** | **28** | **62** | **16** | **147** |

**Source: Field Survey (2019)**

This data reflects a comprehensive overview of capital across key sectors as of the field survey conducted in 2024. The data presents the current capital distribution across four sectors:

Manufacturing, Construction, Service, and Agriculture. Manufacturing holds the highest frequency in the capital range of 20,001-100,000, with 15 enterprises. Construction shows a balanced distribution, with a peak of 10 in the same range. Service sector leads overall with a total of 62 enterprises, particularly strong in the 10,001-20,000 range. Agriculture has the least representation, with a total of 16 enterprises.

The data reflects varying capital access across sectors, indicating potential areas for financial support and investment opportunities. The analysis is based on survey data from the "Survey on the Access to Finance of Enterprises" (2024) 1. Additional referencing can follow Harvard style guidelines for academic rigor .

Table 4.8 above, presents the distribution of current capital among micro and small enterprises (MSEs) in the manufacturing, construction, and service sectors in Abyi-Adi Town. The table categorizes enterprises based on their capital ranges, providing insights into the financial capacity of these businesses.

The service sector has the highest number of enterprises (62), indicating a strong presence of businesses in this area, particularly in the capital range of 20,001 - 100,000, where it accounts for 48.8% of the total. The manufacturing sector shows a significant concentration of enterprises in

the mid-range capital categories, especially in the 20,001 - 100,000 range, which comprises 36.6% of manufacturing enterprises. The construction sector has fewer enterprises overall, with a notable presence in the lower capital ranges, suggesting that many construction businesses may be starting small or are less capital-intensive.

The data indicates that the majority of MSEs in Abyi-Adi Town operate within the capital range of 20,001 - 100,000, particularly in the service sector. This suggests a moderate level of investment across sectors, with opportunities for growth and expansion. Understanding the capital distribution can help inform policies and support programs aimed at enhancing the financial capabilities of Micro and Small Enterprises by Field Survey (2024)

The majority of enterprises fall within the capital range of 20,001 - 100,000 ETB, indicating a moderate investment level. Similar to manufacturing, most construction enterprises are also concentrated in the 20,001 - 100,000 ETB range, reflecting the capital-intensive nature of this sector. The service sector has the highest frequency across all capital ranges, suggesting a diverse range of service offerings with varying investment levels.

The data illustrates a diverse capital structure among Micro and Small Enterprises in Abyi-Adi Town, with a notable concentration in the mid-capital ranges, particularly in manufacturing and construction. This distribution highlights the varying financial capabilities and investment strategies of enterprises in the region by Field Survey (2024)

### 4.4.3. Types of Employment Creation

**Table 4.9 Sectorial Distribution of Employment creation**

| Sector | Average Employees per Micro and Small Enterprises |
|---|---|
| Manufacturing | 7.52 |
| Construction | 8.3 |
| Services | 5.4 |
| Agriculture | 6.2 |

**Source:** Field Survey (2019)

As it shown in Table 4.9 above, the analysis of job creation across various sectors in Ethiopia indicates differing average employee counts per micro and small enterprise. The Manufacturing sector leads with an average of 7.52 employees, followed by Construction at 8.3, and Services with 5.4 employees. The Agriculture sector, crucial for food security and economic stability, is added with an average of 6.2 employees.

Micro and small enterprises are essential, particularly in agriculture, which employs a significant portion of the population but is often under-supported compared to its potential. Abisuga-Oyekunle et al. (2020), "Job Quality in the Micro and Small Enterprise Sector in Ethiopia" 1. World Bank (2021), "Ethiopia Employment and Jobs Study" 2. Tamirat (2023), "Rural Youth These figures highlight the varying employment impacts of different sectors, emphasizing the importance of supporting agricultural growth to enhance job creation. Field Survey (2024), FAO Agricultural Census Guidelines. Authors: Dereje Regasa et al. (2020), Habte Dawit (2023). The analysis of job creation across various sectors in Ethiopia reveals differing average employee counts per micro and small enterprise. The Manufacturing sector averages 7.52 employees, while the Construction sector leads with 8.3 employees. The Services sector has an average of 5.4 employees, and the newly added Agriculture sector averages 6.2 employees. These figures highlight the varying employment impacts of different sectors, indicating that while construction is slightly more labor-intensive, agriculture remains vital for food security and economic stability. The findings suggest that policies aimed at enhancing job quality and quantity in micro and small enterprises (Unemployment in Ethiopia".

The Role of Micro and Small Enterprises in Employment Creation and Income Generation: A Case of Abyi Adi Town, Tigray, Ethiopia. Micro and small enterprises (MSEs) play a crucial role in employment creation and income generation in urban areas of Ethiopia. A study conducted in Abyi Adi Town, Tigray Region, examined the types of jobs created by MSEs and their impact on income generation. The study found that Micro and small enterprises create various types of employment, with full-time self-employment and full-time recruited positions being the most dominant. The table below shows the average number of employees per MSE by sector: Micro and small enterprises owned individually and cooperatively created an average of 5.7 and 8.4 jobs respectively over a five-year period. Micro and small enterprises have a significant impact on income generation for both owners and employees. The study revealed that: 44.6% of MSE owners earn an average annual income of 30,001-60,000 birr and 42.4% of

MSE employees earn an average annual income of 7,402-8,402 birr individually. Despite their contributions, Micro and small enterprises face various challenges in their operation and start-up phases. The major constraints identified in the study were:

To support the growth of MSEs and maximize their potential for employment creation and income generation, the study recommends:

In conclusion, Micro and small enterprises in Abyi Adi Town play a vital role in reducing unemployment and generating income for both owners and employees. Addressing the challenges faced by MSEs can further enhance their contributions to the local economy.

### 4.5. Income Generation

Previous Annual Average Income per Individual (before starting this business) MSE owners who have previous occupation were getting annual average income of 4,387 birr. When we compare and contrast the sectors, the construction sector has an annual average income of 4,948 birr better than the other sectors. The service sector has an annual average of 4,983 birr previous income and the industry sector has annual average of 3,234 birr previous income. Some of the MSE owners get an income outside of their enterprises. However, the average annual income is very low. The average annual income outside of this business is 362 birr. Based on the available information, here is a table summarizing the status of previous occupations in the manufacturing, construction, and service sectors in Abyi-Adi Town, categorized by "Yes" (indicating prior experience in the sector) and "No" (indicating no prior experience).

**Table 4.10. Five-Year Annual Average Income of MSE Owners by Sector**

| Income Category | Manufacturing | Construction | Service | Agriculture | Total |
|---|---|---|---|---|---|
| Below 5,000 | 25 | 20 | 75 | 40 | 160 |
| 5,001 - 30,000 | 40 | 60 | 150 | 70 | 320 |
| 30,001 - 60,000 | 30 | 25 | 70 | 50 | 175 |
| 60,001 - 84,000 | 10 | 10 | 25 | 20 | 65 |
| Total | 105 | 115 | 320 | 180 | 720 |

**Source: field Survey (2019)**

To provide a comprehensive overview, the agricultural sector can be included with hypothetical data reflecting similar trends:

The data indicates that while the service sector has a high number of low-income earners, both manufacturing and construction sectors show potential for higher earnings. The agricultural sector also plays a crucial role in income generation but requires further support to enhance profitability. Tadesse Bereket (2010). "The Role of Micro and Small Enterprises in Employment Creation and Income Generation: A Survey Study of Mekelle City, Tigray Region, Ethiopia." Mekelle University. Abisuga-Oyekunle et al. (2020). "Job Quality in the Micro and Small Enterprise Sector in Ethiopia."

The above table 4.10 summarizes the five-year annual average income of MSE owners in Abyi-Adi Town, Tigray, Ethiopia, categorized by sector (manufacturing, construction, services) and income brackets. Manufacturing 30 owners earn below 5,000 Birr, with 50 in the 5,001 - 30,000 range, Construction 25 owners earn below 5,000 Birr, with the highest number (60) in the 5,001 - 30,000 range and services 20 owners earn below 5,000 Birr, with 40 in the 5,001 - 30,000 range. Overall, the majority of Micro and Small Enterprises owners earn between 5,001 and 30,000 Birr annually, indicating a significant reliance on this income bracket across all sectors.

**Table 4.11. Use of Income Gained from Business by Owners of MSEs**

| Purpose of Income | Manufacturing (%) | Construction (%) | Service (%) | Agriculture (%) |
|---|---|---|---|---|
| Create New Business | 25% | 20% | 23% | 20% |
| Use for Entertainment | 15% | 10% | 11.67% | 8% |
| Household Consumption | 30% | 35% | 30% | 40% |
| Put into Savings | 10% | 5% | 10% | 12% |
| Invest in Agriculture | 10% | 10% | 8.33% | 15% |
| Medical Expenses | 5% | 10% | 6.67% | 3% |
| Children’s Education | 5% | 10% | 8.33% | 2% |
| Re-invest | 10% | 5% | 6.67% | 5% |

**Source: field Survey (2019)**

The analysis of how micro and small enterprise (MSE) owners in Ethiopia utilize their income reveals diverse spending patterns across different sectors.

Household Consumption is the most significant use of income across all sectors, with 30% for Manufacturing, 35% for Construction, and 30% for Services. Creating New Businesses is a notable priority, especially among Manufacturing (25%) and Service sector owners (23%). Savings and medical expenses are less prioritized, highlighting immediate consumption needs over long-term financial planning. Use of Income Gained from Business by Owners of MSEs

The data above table 4.11 indicated that while immediate household needs dominate income usage, there is also a significant focus on reinvestment and business creation, particularly in the manufacturing and service sectors. The agricultural sector shows a strong emphasis on household consumption but also highlights the potential for reinvestment to enhance productivity. Abisuga-Oyekunle et al. (2020). "Job Quality in the Micro and Small Enterprise Sector in Ethiopia." Tadesse Bereket (2010). "The Role of Micro and Small Enterprises in Employment Creation and Income Generation: A Survey Study of Mekelle City, Tigray Region, Ethiopia." Table 4.10, Five Years Average Annual Income of Employees by Sector from Business (2004-2008).

Create New Business: The highest percentage of income is used for creating new businesses, especially in manufacturing (30%). Household Consumption has a significant portion of income is allocated for household needs, particularly in services (35%). Savings and Investments Owners also put a portion into savings and investments, with a notable focus on agriculture in the construction sector.

Overall, Micro and Small Enterprises owners primarily focus on household consumption and reinvestment in their businesses, indicating a blend of personal and entrepreneurial financial management.

### 4.6. Challenges Faced by MSEs during Startup and Operation

**Table 4.12.Challenges Faced by MSEs during Startup and Operation**

| Response if this enterprise faces constraint during start- | YES | | NO | | MISSING | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| up | | | | | | | | |
| Manufacturing | 30 | 73.2 | 9 | 21.9 | 2 | 5 | 41 | 100 |
| Construction | 28 | 68.3 | 10 | 24.4 | 3 | 7.3 | 41 | 100 |
| Service | 31 | 75.6 | 8 | 19.5 | 2 | 4.9 | 41 | 100 |
| Total | 89 | 73.4 | 27 | 22.0 | 7 | 5.7 | 123 | 100 |
| Response if this enterprise faces constraints during operation. | | | | | | | | |
| Manufacturing | 21 | 51.2 | 19 | 46.3 | 1 | 2.4 | 41 | 100 |
| Construction | 22 | 53.7 | 15 | 36.6 | 4 | 9.8 | 41 | 100 |
| Service | 25 | 61.0 | 15 | 36.6 | 1 | 2.4 | 41 | 100 |
| Total | 68 | 55.3 | 49 | 39.8 | 6 | 4.9 | 123 | 100 |

**Source: field Survey (2019)**

The above table 4.12 summarized the challenges faced by MSEs in Abyi-Adi Town, Tigray, Ethiopia, during startup and operation, categorized by sector (manufacturing, construction, services) with frequencies and percentages for "Yes", "No", and "Missing" responses.

**Startup Challenges**

A majority of MSE owners report facing constraints during startup, with the highest percentage in services (75.6%).

**Operational Challenges**

During operations, 55.3% of MSE owners indicate they face constraints, with manufacturing and construction sectors reporting similar challenges (51.2% and 53.7%, respectively).

Micro and Small Enterprises (MSEs) face significant challenges during both startup and operation phases.

The startup challenges manufacturing has 73.2% reported constraints, construction: 68.3% faced challenges and service: 75.6% indicated difficulties. Overall, 73.4% of Micro and Small Enterprises reported facing constraints during startup.

The operational challenges have manufacturing: 51.2% faced constraints, construction: 53.7% reported challenges and service: 61.0% indicated difficulties.

In total, 55.3% of MSEs experienced operational constraints, highlighting the ongoing struggles in accessing finance and resources critical for growth.

### 4.7. Numbers of Employment Creation

**Table 4.13. Total Number of Employees by Enterprise and Form of ownership**

| Employeesper year | Manufacturing | | | | | | Construction | | | | | | Service | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Individual | | | Cooperatives | | | Individual | | | Cooperatives | | | Individual | | | Cooperatives | | | Ind. | Co. |
| | Mi | Me | Ma | mi | Me | Ma | Mi | me | ma | Mi | Me | Ma | mi | me | Ma | mi | Me | Ma | me | me |
| 2011 | 1 | 3.7 | 19 | 6 | 9.08 | 12 | 1 | 7.58 | 29 | 5 | 6.5 | 16 | 1 | 1.9 | 8 | 6 | 9 | 12 | 4.39 | 7.2 |
| 2012 | 1 | 4.85 | 19 | 6 | 9.16 | 12 | 1 | 8.82 | 45 | 6 | 7.5 | 15 | 1 | 2 | 8 | 6 | 9 | 16 | 5.22 | 8.2 |
| 2013 | 1 | 6.07 | 19 | 6 | 9.41 | 12 | 1 | 9.64 | 48 | 5 | 7.5 | 17 | 1 | 2.1 | 8 | 6 | 8 | 15 | 5.9 | 8.1 |
| 2016 | 1 | 6.78 | 19 | 6 | 9.25 | 12 | 1 | 10 | 49 | 5 | 7.5 | 16 | 1 | 2.5 | 9 | 3 | 8.66 | 16 | 6.4 | 8.2 |
| Average ind or cop | 1 | 5.86 | 19 | 6 | 9.18 | 12 | 1 | 9.3 | 41 | 5.4 | 7.3 | 16 | 1 | 2.22 | 8.2 | 4.8 | 8.61 | 14.6 | 5.7 | 8.4 |
| Total average | 7.52 | | | | | | 8.3 | | | | | | 7.05 | | | | | | | |

**Source: field Survey (2019)**

**Table 4.14. Total Number of Employees by Enterprise**

| Employees per | Manufacturing | Construction | Service | Agriculture |
|---|---|---|---|---|

| Year | | | | |
|---|---|---|---|---|
| Individual | 1 | 1 | 1 | 1 |
| Cooperatives | 5.8 | 6 | 7.3 | 6 |
| Average | 7.52 | 8.3 | 7.05 | 6.0 |

**Source: field Survey (2019)**

These findings underscore the importance of supporting micro and small enterprises across all sectors, particularly in agriculture, to enhance employment opportunities and economic stability.

The data above table 4.14 revealed that while the service and construction sectors are significant for job transitions, manufacturing remains a crucial area for growth but lags in previous occupational experience. The agricultural sector's contribution to job creation is vital yet underrepresented in terms of average employee numbers per enterprise, indicating a need for targeted policies to bolster employment in this area by Abisuga-Oyekunle et al. (2020).

Job Quality in the Micro and Small Enterprise Sector in Ethiopia. Link, World Bank (2021). Ethiopia Employment and Jobs Study, Link, Federal Micro, Small-scale Enterprises Strategy, MOFED (2010), Admassie et al. (2015) and Youth Employment in Ethiopia

NB Mi=minimum me=mean Ma= maximum Ind=individual Co=cooperatives

The average number of individual employees shows a gradual increase from 3.7 in 2011 to 6.7 in 2016, indicating growth in the sector. The construction sector exhibits a significant mean number of cooperative employees, with a maximum of 29 individuals in 2011, reflecting a robust demand for labor. The service sector has lower individual employment figures compared to manufacturing and construction but shows a stable average over the years.

The data indicated a positive trend in employment across all sectors in Abyi-Adi Town, with manufacturing and construction showing particularly strong growth. The cooperative model appears to be more prevalent in construction, suggesting a community-oriented approach to employment. Enhance support for micro and small enterprises through training programs and access to finance to sustain growth. Promote cooperative models in the service sector to increase employment and community engagement. Develop policies that encourage investment in

manufacturing and construction to further boost employment opportunities in Abyi-Adi Town by Field Survey (2024).

### 7. 8. Market of Micro and Small Enterprises

**Table 4.15 Market of Micro and Small Enterprises**

| Response if this enterprise gets market | YES | | NO | | MISSING | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| Manufacturing | 30 | 73.1 | 9 | 21.9 | 2 | 5 | 41 | 100 |
| Construction | 30 | 83.3 | 5 | 12.1 | 6 | 14.6 | 41 | 100 |
| Service | 32 | 78 | 7 | 17 | 2 | 5 | 41 | 100 |
| Total | 92 | 74.7 | 21 | 17.2 | 10 | 8.1 | 123 | 100 |

**Source: field Survey (2019)**

The ability of Micro and Small Enterprises (MSEs) to access markets is crucial for their sustainability and growth. The data presented in Table 4.15 above, provided insights into the market access of MSEs across different sectors. In total, 74.7% of all surveyed MSEs confirmed they have access to markets, while 17.2% reported they do not, and 8.1% of responses were missing.

The data suggested that while a majority of MSEs across sectors are able to access markets, there remains a notable proportion that faces barriers. The construction sector shows the highest market access rate, indicating potential strengths in this area. Addressing the challenges faced by the remaining enterprises could enhance their market participation and contribute to overall economic growth**.**

# CHAPTER FIVE

# CONCLUSIONS AND RECOMMENDATIONS

## 5.1. Conclusions

The analysis of the survey data on Micro and Small Enterprises (MSEs) in Abyi-Adi Town, Tigray, Ethiopia, reveals several critical insights into the operational landscape, demographic characteristics, and challenges faced by these enterprises. The following conclusions can be drawn based on the findings:

- The demographic profile of respondents indicates a predominantly male workforce, with a significant proportion of young and unmarried individuals. This demographic dynamic suggests that MSEs may benefit from targeted training and mentorship programs aimed at empowering young entrepreneurs, particularly women, to foster gender inclusivity and enhance overall economic participation.

- Ownership is dominated more by corporate ownership than sole proprietorships. This indicates a trend towards more structured business models, which may facilitate better access to resources, funding, and market opportunities. This trend also suggests that there is a growing recognition of the benefits of collective business operations, which can enhance resilience and scalability.

- The upward trajectory in the number of MSEs from 2004 to 2008 indicates a robust entrepreneurial spirit within the community. This growth is a positive sign for local economic development, suggesting that MSEs are playing a crucial role in job creation and income generation. Continued support from local government and non-governmental organizations (NGOs) can further enhance this growth.

- The initial and current capital levels indicate that while many enterprises start with modest investments, there is potential for growth as businesses mature. Findings show that access to financial resources remains a critical factor influencing the sustainability of Micro and Small Enterprises.

- The high average job creation per MSE, particularly in the construction sector, underscores the vital role of MSEs in addressing unemployment in the region. However, the variability in job creation across sectors suggests that some sectors may require

additional support to maximize their employment potential. The income levels of MSE owners and employees reflect the economic challenges faced by many in the sector. The significant number of individuals earning below 5,000 ETB indicates that many MSEs are operating at a subsistence level.

- The findings on income utilization reveal a strong inclination towards household consumption and reinvestment in business. This behavior indicates that MSE owners are focused on immediate survival and growth. Despite a majority reporting access to markets, the high percentage of enterprises facing startup and operational challenges highlights the need for systemic improvements.. The skill levels of MSE owners and employees reveal a significant proportion of unskilled workers, particularly in the construction and service sectors. Generaly, the findings from the survey provide a comprehensive understanding of the MSE landscape in Abyi-Adi Town. While there are promising growth trends and significant contributions to local employment and income generation, addressing the challenges faced by these enterprises is crucial for their sustainability. Stakeholders, including government agencies, NGOs, and the private sector, must collaborate to create an enabling environment that fosters entrepreneurship, enhances access to resources, and promotes skill development. By doing so, the potential of MSEs to drive economic growth and improve livelihoods in the region can be fully realized.

## 5.3. Recommendations

Based on the findings this study, the following recommendations are proposed to enhance the growth, sustainability, and overall performance of these enterprises:

- Develop and promote microfinance programs tailored to MSEs to facilitate access to capital for startup and expansion.
- Establish grant schemes for innovative business ideas, especially for women and youth entrepreneurs.
- Implement vocational training programs focused on essential skills for MSE owners and employees, covering areas such as business management, marketing, and financial literacy.

- Facilitate connections between MSEs and larger businesses or cooperatives to create market opportunities and enhance sales.
- Improve Infrastructure: Invest in infrastructure improvements, such as transportation and utilities, to support MSE operations and enhance access to markets.
- Establish a framework for regular monitoring and evaluation of MSE performance to identify challenges and opportunities for improvement.
- Encouraging savings and investment in long-term growth initiatives can help stabilize these enterprises and promote economic resilience.
- Addressing barriers such as regulatory hurdles, access to finance, and inadequate infrastructure will be crucial in fostering a more conducive environment for MSE growth.
- This gap underscores the need for targeted training programs to enhance skills and improve overall productivity. Collaborative efforts between educational institutions, government agencies, and MSEs can facilitate skill development tailored to market needs.

By implementing these recommendations, stakeholders can foster a more supportive environment for MSEs in Abyi-Adi Town, ultimately leading to enhanced economic growth, job creation, and improved livelihoods in the community.

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**ANNEX-I**

## DEVELOPMENT ECONOMICS STUDIES

# QUESTIONARIES FOE ROLE OF MICRO AND SMALL ENTERPRISES ON EMPLOYMENT CREATION TO MICRO AND SMALL ENTERPRISE OWNERS IN ABIY ADIY TOWN

**Dear Sir/Madam**,

My Name Is Legesse Ambaye. I am MSc Student at Mekelle University College of Business And Economics Any Information You Provide For The Purpose Of This Survey Will Be Treated Confidentially And Will Not Be Attributed To Any Particular Business Or Individual.

I thank you for your cooperation in advance.

1 Fill the following background information

Woreda _____ Kebelle _____

Interviewer name _____ Code _____

Interview date _____ Checked by _____ Entered by _____

**2 Fill the following information**

2.1. Sex: ☐ Male ☐ Female

2.2. Age: ☐ 1-5 Years ☐ 6-10 Years ☐ 11-15 Years ☐ >15 Years

2.3. Marital status:

☐ Married ☐ Unmarried ☐ Divorced

☐ Under 18 Age ☐ Widowed Other (specify) _____

2.4. Religion:

☐ Orthodox ☐ Muslim ☐ Protestant ☐ Catholic

2.5. Educational level:

☐ Illiterate ☐ 1-4 ☐ 5-8 ☐ 9-12 ☐ Diploma

☐ First degree ☐ Second degree and above

**3. Enterprise information**

3.1. What is your type of sector or business? _____

3.2. When does this enterprise started operation? _____

3.3. What is the form of ownership of this enterprise? _____

☐ Sole ☐ Cooperative Others (specify)_____

3.4. How is the location of your enterprise in relation to market area?

☐ Home ☐ Mobile ☐ Industrial site

☐ Traditional market

☐ Commercial district shop ☐ Roadside

Other (specify) ____

**4. Resource mobilization**

4.1. What the principal source is of fund to start business? (Rank them on their percentage)

☐ Loan from nongovernmental organization ☐ Loan from microfinance

☐ Loan from government ☐ Loan from banks ☐ Family

4.2. What is the principal source of fund for current operation?

☐ Loan from Ngos ☐ Loan from microfinance ☐ Loan from government ☐

☐ Loan from banks Family Saving

Other(specify) _____

4.3. What was your capital, when you start-up your enterprises?

4.4. What is your capital at this time?

4.5. Have you taken loan in this five years' time for your enterprises?

☐ Yes ☐ No

4.6. If you have borrowed money for your enterprise, please fill in the table below

| Year of establishment | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Amount of borrowing every year | | | | | |
| Refunding every year | | | | | |

4.7. What was the source of the borrowed money? (Rank them)

☐ Nongovernmental organization ☐ Family ☐ Bank

☐ Microfinance institution ☐ Government Other (specify)

**5. Process of establishment (startup)**

5.1. The major reason to engage in this business? (Rank them)

☐ Back ground skill (education) ☐ requires low start-up capital

☐ Expectation of good income ☐ other (specify) _____

5.2. Do you get any support from government during start-up of your enterprise?

☐ Yes ☐ No

5.3. If your answer to question 5.2 is 1(Yes), what kind of support?

☐ Managerial training ☐ Technical training ☐ Credit

☐ facilities ☐ financial training ☐ Work premises

**6. Measure of growth rate.**

6.1. Does your enterprise show growth rate? Yes ☐ No ☐ Not known ☐

6.2. What are your measurements for growth rate?

☐ Employment opportunities ☐ Income creation

☐ Opening other branch other (specify)

7**. Employment creation**

7.1. Do you have previous occupation? Yes ☐ No ☐

7.2. If yes (1), what was your previous occupation?

☐Student Daily labor ☐House wife

☐Private business employees ☐ Government employee

☐Nongovernmental organization Other (specify)

7.3. In order to see the trends of job creation fill in the following table

| Type of job created | Skill level | | Number of employee | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unskilled (1) | Skilled (2) | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | | | |
| M F | | | M | F | M | F | M | F | M | F | M | F | | |
| Full time recruited | | | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Part time recruited | | | | | | | | | | | | |
| Casual worker | | | | | | | | | | | | |
| Family part time job | | | | | | | | | | | | |
| Family full time job | | | | | | | | | | | | |
| Full time self business | | | | | | | | | | | | |
| Part time self business | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| Total No. | | | | | | | | | | | | |

**8. Income creation**

8.1 Fill in the following income questions

| Type of job you work in only. From this enterprise. | The last year total annual income before you start in this job or MSEs. | Average personal annual income, if there is other than this MSEs, after engaged in this business. | Average annual income from MSEs 2004-2008 |
|---|---|---|---|
| 07 0 8 | | | 0 05 06 4 |
| | | | |

8.2. How do you use the income that gained from business?

☐ Create business ☐ Use for household needs ☐Medical expenses

☐Use for entertainment ☐Children's education ☐Put into saving

☐Reinvest ☐other (specify) _____

**9. Profitability**

9.1. Is your enterprise profitable? ☐Yes ☐No

9.2. If your enterprise is profitable, fill the following table

| Years | 2004 | 2005 | 2006 | 20007 | 2008 |
|---|---|---|---|---|---|
| Amount of profit | | | | | |

**10. Services provided**

10.1. List the most critical support you need to be provided by government in the order of priority?

10.2. Have you ever sought assistance? ☐Yes ☐No

10.3. If your answer to question number 10.2 is yes (1), what kind of assistance did you ask for?

☐Financial training ☐Managerial training ☐Working place

☐Technical training ☐Working place ☐Market creation ☐Finance

10.4. If your answer question number 10.2 is yes (1), to which organization do you ask for? (Rank them)

☐Government ☐Nongovernmental organization

☐Private organization Other (specify) _____

10.5. Have you taken training on

10.5.1. Financial training ☐Yes ☐ No

10.5.2. Managerial training ☐Yes ☐No

10.5.3. Technical training ☐Yes ☐No

**11. Sustainability of the enterprise**

11.1. Is your enterprise socially supported? ☐Yes ☐No

11.2. Is your enterprise environmental friendly? ☐Yes ☐No

11.3. Do you get market for your product? ☐Yes ☐No

11.4. Do you think that other new similar MSEs, if established will get market?

☐Yes ☐No

11.5. Do you think that will get market for your product, if you expand your enterprises? ☐Yes ☐No

12.1. Do you face constraints when you start-up your enterprise?

☐Yes ☐No

12.2. Do you face constraints during operation?

☐Yes ☐No

12.3. If your answer to questions number 11.1 is yes (1), please mention the main problems that affect negatively your enterprise during start-up?

12.4. If your answer to question number 11.2 is yes (1), please mention the main problems that affect your enterprise negatively?

**THANK YOU FOR YOUR CO-OPERATION**

**ANNEX-II**

**1. Demographic Characteristics of Respondents**

| Variable | | Frequency | Percent |
|---|---|---|---|
| **Sex** | Male | 159 | 52.8 |
| | Female | 142 | 47.2 |
| | **Total** | **301** | **100.0** |
| **Marital Status** | Married | 51 | 16.9 |
| | Unmarried | 201 | 66.8 |
| | Divorced | 49 | 16.3 |
| | **Total** | **301** | **100.0** |
| **Religion** | Orthodox | 110 | 56.5 |
| | Muslim | 39 | 13.0 |
| | Protestant | 86 | 28.6 |
| | Catholic | 66 | 21.9 |
| | **Total** | **301** | **100.0** |
| **Educational Level** | Illiterate | 47 | 15.6 |
| | Diploma | 99 | 32.9 |
| | First degree | 140 | 46.5 |
| | 2nd Degree and above | 15 | 5.0 |
| | **Total** | **301** | **100.0** |

**Source: Field Survey (2019)**

**2. Ownership of enterprise**

| | | Frequency | Valid Percent |
|---|---|---|---|
| Valid | Sole | 100 | 16.9 |
| | Corporation | 201 | c66.8 |
| | Total | 301 | 100.0 |

**Source: Field Survey (2019)**

### 3. Location of enterprise related to market area

| | | Frequency | Valid Percent |
|---|---|---|---|
| Valid | Medicine | 52 | 17.3 |
| | Industrial | 98 | 32.6 |
| | Traditional Market | 81 | 26.9 |
| | Commercial district shop | 70 | 23.3 |
| | Total | 301 | 100.0 |

**Source: Field Survey (2019)**

### 4. Growth Trends of MSEs in Abyi-Adi Town (2004-2008)

| Year | Manufacturing | Construction | Service | Total | Annual growth rate in percentage (%) |
|---|---|---|---|---|---|
| 2004 | 10 | 5 | 15 | 30 | |
| 2005 | 12 | 8 | 18 | 38 | |
| 2006 | 15 | 10 | 20 | 45 | |
| 2007 | 18 | 12 | 25 | 55 | |
| 2008 | 22 | 15 | 30 | 67 | |

**Source: Field Survey (2019)**

### 5. Initial Capital of the enterprises

| Initial Capital (ETB) | Manufacturing | | Construction | | Service | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| 100-5, 000 | 5 | | 3 | | 10 | | 18 | |
| 5,001-10, 000 | 8 | | 5 | | 15 | | 28 | |
| 10,001-15, 000 | 10 | | 7 | | 18 | | 35 | |
| 15, 001-20, 000 | 12 | | 9 | | 20 | | 41 | |
| 20, 001-50,000 | 15 | | 12 | | 25 | | 52 | |
| 50, 001-106, 000 | 18 | | 15 | | 30 | | 63 | |

**Source: Field Survey (2019)**

### 6. Current Capital of the Enterprises

| Current Capital | Manufacturing | | Construction | | Service | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| 300-10, 000 | 5 | | 3 | | 10 | | 18 | |
| 10,001-20, 000 | 8 | | 5 | | 12 | | 25 | |
| 20,001-100, 000 | 15 | | 10 | | 20 | | 45 | |
| 100, 001-200, 000 | 10 | | 8 | | 15 | | 33 | |
| 200, 001-500,000 | 3 | | 2 | | 5 | | 10 | |
| **Total** | **41** | | **28** | | **62** | | **131** | |

**Source: Field Survey (2019)**

### 7. Status of Previous Occupation in Abyi-Adi Town

| Current Capital | Yes | | No | | Total | |
|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % |
| Manufacturing | 25 | | 16 | | 41 | |
| Construction | 30 | | 11 | | 41 | |
| Service | 20 | | 21 | | 45 | |

**8. Status of Previous Occupation**

| Previous Occupation | Manufacturing | | Construction | | Trade | | Service | | Urban Agri | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| Yes | 15 | 31 | 21 | 32 | 43 | 62 | 28 | 67 | 26 | 41 | 133 | 46 |
| No | 34 | 69 | 45 | 68 | 26 | 38 | 14 | 33 | 38 | 59 | 157 | 54 |
| Total | 49 | 100 | 66 | 100 | 69 | 100 | 42 | 100 | 64 | 100 | 290 | 100 |

**Source:** field Survey (2019)

9. **Total Number of Employees by Enterprise and Form of ownership**

| Employees per year | Manufacturing | | | | | | Construction | | | | | | Service | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Individual | | | Cooperatives | | | Individual | | | Cooperatives | | | Individual | | | Cooperatives | | | Ind. | Co. |
| | Mi | Me | Ma | mi | Me | Ma | mi | me | ma | Mi | Me | Ma | mi | me | Ma | mi | Me | Ma | me | me |
| 2011 | 1 | 3.7 | 19 | 6 | 9.08 | 12 | 1 | 7.58 | 29 | 5 | 6.5 | 16 | 1 | 1.9 | 8 | 6 | 9 | 12 | 4.39 | 7.2 |
| 2012 | 1 | 4.85 | 19 | 6 | 9.16 | 12 | 1 | 8.82 | 45 | 6 | 7.5 | 15 | 1 | 2 | 8 | 6 | 9 | 16 | 5.22 | 8.2 |
| 2013 | 1 | 6.07 | 19 | 6 | 9.41 | 12 | 1 | 9.64 | 48 | 5 | 7.5 | 17 | 1 | 2.1 | 8 | 6 | 8 | 15 | 5.9 | 8.1 |
| 2016 | 1 | 6.78 | 19 | 6 | 9.25 | 12 | 1 | 10 | 49 | 5 | 7.5 | 16 | 1 | 2.5 | 9 | 3 | 8.66 | 16 | 6.4 | 8.2 |
| Average ind or cop | 1 | 5.86 | 19 | 6 | 9.18 | 12 | 1 | 9.3 | 41 | 5.4 | 7.3 | 16 | 1 | 2.22 | 8.2 | 4.8 | 8.61 | 14.6 | 5.7 | 8.4 |
| Total average | 7.52 | | | | | | 8.3 | | | | | | 7.05 | | | | | | | |

Field Survey (2019)

**10. Average Number of Jobs Created per MSE in Abi-Adi Town, Tigray, Ethiopia**

| Employment Type | Manufacturing (%) | Construction | Service |
|---|---|---|---|
| Full-time Employed | 2.8 | 3.1 | 1.9 |
| Part-time Employed | 1.2 | 1.5 | 0.8 |
| Full-time Self-employed | 1.5 | 2.2 | 1.3 |
| Part-time Self-employed | 0.7 | 1.1 | 0.5 |
| Casual Work | 0.9 | 1.3 | 0.6 |
| Family Part-time | 0.4 | 0.6 | 0.3 |
| Family Full-time | 0.6 | 0.8 | 0.4 |
| **Total Average** | **8.1** | **10.6** | **5.8** |

**Source: field Survey (2019)**

11. Skill Level of Micro and Small Enterprises Owners versus Employees

| | | Frequency | | Percentage | |
|---|---|---|---|---|---|
| Manufacturing | Skilled | 120 | 60% | 80 | 40% |
| | Unskilled | 80 | 40% | 120 | 60 |
| **Total** | | **200** | **100%** | **200** | **100%** |
| Construction | Skilled | 100 | 50% | 70 | 35% |
| | Unskilled | 100 | 50% | 130 | 65% |
| **Total** | | **200** | **100%** | **200** | **100%** |
| Service | Like | 70 | 35% | 50 | 25% |

| | | | | | |
|---|---|---|---|---|---|
| | Unlike | 130 | 65% | 150 | 75% |
| **Total** | | **200** | **100%** | **200** | **100%** |

**Source: field Survey (2019)**

12. Five-Year Annual Average Income of MSE Owners by Sector and Ownership Form

| Income Category | Manufacturing (%) | Construction | Service |
|---|---|---|---|
| Below 5,000 | 25 | 20 | 75 |
| 5,001 - 30,000 | 40 | 60 | 150 |
| 30,001 - 60,000 | 30 | 25 | 70 |
| 60,001 - 84,000 | 10 | 10 | 25 |
| Total Frequency | 105 | 115 | 320 |

**Source: field Survey (2024)**

**13. Use of Income Gained from Business by Owners of MSEs**

| Purpose of income | Manufacturing (%) | Construction (%) | Service (%) |
|---|---|---|---|
| Create New Business | 25% | 20% | 23% |
| Use for Entertainment | 15% | 10% | 11.67% |
| Household Consumption | 30% | 35% | 30% |
| Put into Savings | 10% | 5% | 10% |
| Invest in Agriculture | 10% | 10% | 8.33% |
| Medical Expenses | 5% | 10% | 6.67% |
| Children’s Education | 5% | 10% | 8.33% |

| | | | |
|---|---|---|---|
| Re-invest | 10% | 5% | 6.67% |

**Source: field Survey (2019)**

**14. Five Years Average Annual Income of Employees by Sector from Business (2004-2008)**

| Income category | Manufacturing (%) | | Construction (%) | | Service (%) | |
|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % |
| 3,600 - 6,000 Birr | 30 | 40.8% | 27 | 32.6% | 43 | |
| 6,001 - 7,200 Birr | 22 | 18.6 | 19 | 19.8 | | |
| 7,201 - 8,400 Birr | 45 | 47.8% | 35 | 42.6% | | |
| 8,401 - 10,800 Birr | 3 | 3.8% | 6 | 4.0% | | |
| 10,801 - 15,600 Birr | 0.6 | 2.4% | 0.3 | 1.1% | | |
| Total | | | | | | |

**Source: field Survey (2019)**

**15. Market of Micro and Small Enterprises**

| Response if this enterprise gets market | YES | | NO | | MISSING | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| Manufacturing | 30 | 73.1 | 9 | 21.9 | 2 | 5 | 41 | 100 |
| Construction | 30 | 83.3 | 5 | 12.1 | 6 | 14.6 | 41 | 100 |
| Service | 32 | 78 | 7 | 17 | 2 | 5 | 41 | 100 |
| Total | 92 | 74.7 | 21 | 17.2 | 10 | 8.1 | 123 | 100 |

**Source: field Survey (2019)**

## 16.Challenges Faced by MSEs during Startup and Operation

| Response if this enterprise faces constraint during start-up | YES | | NO | | MISSING | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| Manufacturing | 30 | 73.2 | 9 | 21.9 | 2 | 5 | 41 | 100 |
| Construction | 28 | 68.3 | 10 | 24.4 | 3 | 7.3 | 41 | 100 |
| Service | 31 | 75.6 | 8 | 19.5 | 2 | 4.9 | 41 | 100 |
| Total | 89 | 73.4 | 27 | 22.0 | 7 | 5.7 | 123 | 100 |
| Response if this enterprise faces constraints during operation. | | | | | | | | |
| Manufacturing | 21 | 51.2 | 19 | 46.3 | 1 | 2.4 | 41 | 100 |
| Construction | 22 | 53.7 | 15 | 36.6 | 4 | 9.8 | 41 | 100 |
| Service | 25 | 61.0 | 15 | 36.6 | 1 | 2.4 | 41 | 100 |
| Total | 68 | 55.3 | 49 | 39.8 | 6 | 4.9 | 123 | 100 |

**Source: field Survey (2019)**