
The Role of Micro and Small Enterprises in Creating Employment and Poverty Reduction in Jima Genet Woreda

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Abstract: This study aimed at assessing the Role of MSEs in creating employment and poverty reduction in Jima Genet district, Oromia Regional State, Ethiopia. The objective of this study was to analyze the role of MSE in employment creation and poverty reduction in the study area. Both quantitative and qualitative data were used. Secondary data was also collected from reports, journals, past research works, official documents and the internet. Non probability (purposive sampling) was used to determine the sample size and the determined sample size was selected by systematic sampling method from the population in the study area. The data was analyzed based on descriptive statistics such as percentages and graphs. In addition, econometric logit model was also used for explaining variables that affect the role of MSE. The results of the econometric logit model estimation revealed that production place, credit, access to train, market linkage and absence of experience in preparing business plan were found to be significant determinants for the role of micro and small enterprise in reducing poverty and employment creation. Based on the findings, the study recommended that Enterprises should train by professionals how to develop business plan; the culture of developing cooperation among members, government should improve system of giving production place and formal and informal association should be improved by taking the work of successful enterprises as examples; enterprises must develop sufficient marketing skills and diversified their product.

Keywords: Enterprise, Employment, Business, Poverty

1. Introduction

In developing countries, Micro and Small Enterprise (MSE) by good quality of their size, location, capital investment and their capacity to generate greater employment have proved their principal effect on rapid economic growth. This makes micro and small enterprise a major area of concern for government and non-government organizations with the objectives of unemployment reduction, income generation and equitable income distribution, import substitution, innovation and poverty reduction [2].

In Ethiopia, MSE are the second largest employment generating sector next to agriculture (ILO, 2009). A national survey conducted by central statics agency [10] in 2010 indicates that more than 1.3 million people in the country are engaged in SME sector. They account for a substantial share of the total employment and Gross Domestic Product (GDP) which has great significant for the alleviation of poverty and income creation. This means that they are often the basic

economic defense of the most vulnerable households in high risk environment, such as civil conflict and natural disasters. The SME sector is believed to be able to fill the gap that exists between the poor and the rich in developing countries regarding income generation and decreasing unemployment rate [20].

1.1. Statement of the Problem

Developing countries have common characteristics of low economic growth, fast population growth, high level of unemployment and poverty. Like many other major cities and rural areas of developing countries, Ethiopia is presently suffering from a large number of social and economic problems including widening income disparity, deepening poverty, rising unemployment, poorly developed physical and social infrastructure and the explosion of slums and squatter settlements [15]. For this reason, MSE is recognized by the EPRDF government as one of the potential sector to alleviate poverty in the country in general and in the study

area in particular [19].

Micro and Small Enterprises provide employment opportunity and income generating system to those who do not have access to the formal sector employment. It is also regarded as a tool for supporting the economic and social conditions of the poor, especially for the youth and women, by allowing access to education, health facilities and improves their living standards sustainability [6].

On the other hand, the reviewed empirical studies reveal that there is a gap with regard to assessment of enterprises' roles in terms of employment opportunities, generating income and profit and reducing poverty. In addition, some reviewed empirical studies with regard to the sector focused on major challenges and constraints [11, 13, 17].

There are many studies which focused on problems and factors that slow down the growth of MSE and the outcome of the program in comprehensive forms. Regarding the role of MSE in the process of poverty reduction, empirical studies fail to investigate role of MSE and how the program interfere in an individual level, though according to Eva Michalowski [41], the program designed to change the life of those individuals who involved in the program. For instance, the study [14, 16-17] with the objective of analyzing Causes of MSEs Failures, Problems of Micro and Small Enterprises, factors that hinder the performance of MSEs, respectively, found that lack of capital, lack of markets, bureaucratic regulatory requirement, problem of business development services, poor supply of infrastructure, lack of raw material and inappropriate locations are still major problems of the sector [12].

1.2. Objectives of the Study

1.2.1. General Objectives

The general objective of this study is to assess the role of micro and small enterprises in creating employment and poverty reduction

1.2.2. The Specific Objectives

- a. Analyze the role of MSE in employment creation and its sustainability
- b. Analyze the impact of MSE in income generation

2. Review of Related Literature

2.1. Concepts of Poverty

For individuals, poverty is a frightening. It is a vicious circle of poor health, reduced working capacity, low productivity and shortened life expectancy. For families, poverty is a trap. It leads to inadequate schooling, low skills, insecure income, early parenthood, ill health and early death. For societies, poverty is a curse, "It hinders growth, fuels instability, and keeps poor countries from advancing on the path to sustainable development" [3].

The OECD's Development Assistance Committee has defined poverty as comprising multiple "dimensions of deficiency that relate to human capabilities, including

consumption and food security, health, education, rights, voice, security, self-esteem and well-mannered work" [4]. It notes that poverty reduction should, in addition, be conducted in the context of environmental sustainability and gender equity [5].

Cortes, M [30], in *Attacking Poverty*, accepted the view that poverty encompassed "not only material deprivation (measured by an appropriate concept of income or deprivation) but also low achievements in education and health". It broadened further the concept of poverty, however, to include "weakness and exposure to risk and powerlessness". The notion of power and voice has also been accepted by a number of bilateral development agencies. For example, Andualem Tegegn [7], in its poverty reduction policy paper, notes that poverty "robs [people] of the opportunity to choose on matters of fundamental importance to themselves and the essence of poverty is not only a lack of material resources but also lack of power and choice" [1].

2.2. The Contribution of MSE in Generating Income

While there are many exceptions to the basic pattern, the evidence suggests that larger employers offer better jobs in terms of wages, fringe benefits, working conditions and opportunities for skills enhancements as well as job security. In low-income countries, small enterprises have much lower productivity levels than larger firms which lead to lower wages and non-wage benefits. There is some evidence that this divergence in labor productivity and wage rates between small and large firm's narrows as countries become more developed in terms of industrialization [8].

2.3. The Contribution of MSE in Employment Creation

Employment growth in small enterprises does not necessarily reflect a successful development strategy. It is also important to consider the advantage of employment, which can be broadly defined as the professional factors that have an impact on the economic, social and psychological safety as well as on the health of the employed persons [21].

On average, jobs in small enterprises are less productive, less rewarded, less secure and less unionized than jobs in larger enterprises, even after controlling for observable workers characteristics, such as education, sex and age [22]. For instance, the study by Andualem Tegene [7] estimates that in Ghana's manufacturing sector, a 10 percent rise in firm size is statistically associated with a 1.6 percent rise in earnings. For these reasons, many people concerned with employment advantage and industrial relations view the growing emphasis on small enterprise employment as a threat rather than an opportunity [25].

3. Methodology

3.1. Research Design

The research was relayed on both quantitative and qualitative types of data. Concerning sources of data, both primary and secondary sources were used in generating

valuable and relevant data. Primary data was collected from Micro and Small Enterprise managers and workers of micro and small enterprise of in the study area. Secondary data was obtained from bulletin, brochures and office documents [26].

3.2. Sampling Technique, Procedure and Sample Size

To collect relevant data from the selected samples, a questionnaire which consist both open and closed ended questions had been applied. The questionnaire was prepared in English language; however, it is translated into Afan Oromo in order to make the questions simple, clear, and understandable to respondents. The data was gathered by interviewing some government officials as well as MSE managers who cannot read and write on the questionnaire. The target population of the study was MSE leaders or managers of the enterprise in the study area. To this end, MSE were classified in to five economic sectors namely, agriculture, service, trade, manufacturing and construction. Total population of this study from all five sectors was 359. Since our population was small in size (under 1000) the researcher needs large sample ratio, so for this study 40% was purposely taken as sample of the study to get reliable and highly accurate data from sampled population.

Many researchers determined sample size purposely based on the total number of population. Example Cortes, M [30] determined the sample size 20% from the total population of 800 to take 160 sample and [37] took 30% sample from the total population of 450 to conduct on 135 samples purposely. The researcher also determined 40% from each sector to conduct 144 samples from the total population of 359 purposely to get relevant and proportional data. The determined sample size was selected by using systematic sampling method by taking list of MSE from the woreda document or profile. This lottery method will give equal chance for every population to be represented in the sample. Finally, from all sectors, 144 sample respondents were randomly selected. The population of the study constitutes the managers of 359 micro and small enterprises under different business sectors. The summary of sample frame and sample size is presented in table 1.

Table 1. Summary of sample frame and sample size.

S. No	key sectors	number of enterprises	Sample (40%)
1	Agriculture	269	108
2	Service	17	7
3	Trade	32	13
4	Manufacturing	28	11
5	Construction	13	5
	Total	359	144

Source: Jima Genet MSE profile from 2011-2015

3.3. Methods of Data Collection

Primary source: - primary data was collected through field work survey. Information on the status of employment, income and other data was collected from the sample respondents, such as MSE managers, employees, and from head of Micro and Small Enterprise office. The study used

interview and questionnaire methods of primary data collection.

Secondary sources: In this study, secondary data was collected from officially published and unpublished materials such as, annual reports of the woreda, statistical bulletins, brochures and other materials.

3.4. Methods of Data Analysis

The type of data that are used for the study was based on quantitative and qualitative. In order to analyze the data, it was collected through questionnaire and interviews from the respondents. The counting and placing of data in particular group and sub group was done through simple and cross tabulation. Descriptive statistical tools such as tables, percentages and graphs were used to analyze the data. Percentage of the data was calculated from the total of respondents. This method of analysis is used to determine the sustainability and role of micro and small enterprise in poverty reduction and employment creation.

In addition to descriptive statistics, econometric statistics such as logistic regression model was used to investigate the factors for the increase in status of improvement in income (income growth) for poverty reduction. In the regression model, the status of income was treated as a dichotomous dependent variable by taking 1 for income growth/improvement and 0 otherwise to indicate for measuring poverty as indicated by many researchers [25, 28, 33] used in their study.

3.5. Model Specification

The functional relationship between the probability of improvement in income to measure poverty and explanatory variables following [39], the logit model is specified as follows:

$$P(Y_i=1/X)=1/1+e^{-(B_iX_i)} \quad (1)$$

For ease of the expression this can be written as follows

$$P(Y_i=1/X)=1/1+e^{-(Z_i)} \quad (2)$$

Where: $P(Y_i=1/X)$ is the probability that SMEs income being increased or not, Z_i = the function of a vector of n explanatory variables, e represents the base of natural logarithms and equation (2) is the cumulative logistic distribution function. If $P(Y_i=1)$ is the probability of MSE income being increased, then $1 - P(Y_i=0)$ represents the probability of SMEs income being constant or declining and is expressed as:

$$\frac{P(Y_i=1/X)=1/1+e^{-(Z_i)}}{1-P(Y_i=1/X)=1/1+e^{-(Z_i)}} = e^Z \quad (3)$$

Equation (4) simply is the odds ratio, the ratio of the probability that enterprises income being increased to enterprises income being either constant or declining. The interpretation was, if odds ratio of logit is greater than 1, the probability of income ($Y=1$) is to increase. if odds ratio of logit is less than 1, the probability of income ($Y=1$) is to

decrease. Taking the natural logarithm of equation (3), we can get:

Where Li , is log of the odds ratio or (logit), which is not only linear in X_i but also linear in the parameters. Finally, by introducing the stochastic disturbance term (U_i) we can rewrite the logit model as follows:

$$Z_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_n X_n + U_i \quad (4)$$

Where: β_0 is the constant term and β 's are coefficients to be estimated and X 's = are explanatory variables that determines MSE income growth or not. The independent variables considered in this study are improvement in market linkage, training, working experience in business, business

plan, production place and loan. In this study, therefore, the logit model is customized by the equation (4) in order to analyze how various different factors affecting MSE income growth. The empirical model for MSE income growth or not is specified as follows:

$P(\text{Income growth} = 1 / x) = \beta_0 + \beta_1 \text{market linkage} + \beta_2 \text{training} + \beta_3 \text{business experience} + \beta_4 \text{production place} + \beta_5 \text{business plan} + \beta_6 \text{access to Financial loan} + U_i$ Where Y is status of income whether it is improved or otherwise (dependent variable). The data was analyzed by using statistical package for social science (SPSS) version 20.0v. Definition of variables in this paper for logit model were coded in table 2.

Table 1. Definition of Variables used with their code.

Type of Variables	Variable designation	definition	Measurements
independent	X_1	Market linkage	Yes=1, No=0
	X_2	access to Training	Yes=1, No=0
	X_3	Previous business experience	Yes=1, No=0
	X_4	Production place	Yes=1, No=0
	X_5	Business plan	(Yes=1 and not =0)
	X_6	Access to credit	Yes=1, No=0
Dependent variable	Y	Status of income	improved=1, otherwise=0

4. Results and Discussions

4.1. Motivation to Start MSE Business

SME is considered as a source of employment creation and income creation for both illiterate and literate people. According to Andualem Tegegn [7], micro small enterprise is considered as key solution to create job for poor and unemployed people [8]. In addition, the economic downturn, borderless trade and globalization can be mentioned as some of these factors that motivate the operators to join the sector. For example, a new graduate student can join MSE to create job and improve his/her life rather than spending time in searching the job. Another study also indicates that the motivation to increase income, job security, as well as personal freedom and independence were important to MSE

[21]. As result about 6545 people have got job in MSE in the study area [9].

Although MSE is strategic government policy in reducing unemployment and poverty, an expansion and performance of micro and small enterprises in the study area is very weak both in rural and urban area. The sector, however, contracts when the lives of operators perform better indicating that the size of MSE is the result of how well their income is performing. If there is improvement in life of MSE operators, it adversely affects the livelihood of micro and small enterprise workers such as manufacturing enterprises, construction and trade enterprises when they are able to feed their family and themselves, send their child to school, build home, clothing. Table 3 shows reason that motivate joining of MSE in the study area.

Table 3. Motivation to join MSE.

Motivation to start in SME	Respondents			Manufacturing	Construction	total	%
	agriculture	service	trade				
No other alternative	21	2	3	1	1	28	19.4
It needs small investment	4	0	0	0	0	4	2.8
To generate own income to create job	65	3	1	4	1	74	51.4
All of the above	7	1	2	0	2	12	8.3
Total	11	5	7	2	1	26	18.1
Total	108	11	13	7	5	144	100

Source: own survey of 2015

As it has been explained earlier, MSE is an engine of the sector for reducing poverty and unemployment. Table 4 indicates that more than half of the respondents (51.4%) reported that they join MSE to generate their own income. Other respondents (19.4%) reported that the reason motivated to join in the sector is that they were attracted due to lack of other alternative and 2.8% of the respondents reported the

reason to join is only MSE needs small investment.

Some of the respondents (8.3%) asked why they are motivated in the sector and they reported that they motivated to join MSE to create job for themselves. The remaining respondents (18.1%) reported that the reason that makes them to join this sector is due to various reasons such as small investment, to generate income, and due to lack of

other alternatives and to create job. This survey reveals that majority of MSE in the study area join MSE in order to generate income and to create employment opportunity.

Table 4. Status of income after joining MSE.

Status of income after engaged in MSE	sample number	% of respondents from total sample
increased	97	67.36
No change in income	0	0
Decrease	40	27.78
Increase at one time and decrease in another time	7	4.86
Total	144	100

Source: own survey of 2015

Table 4 shows the status of income for small and micro enterprise. The respondents were asked the status of their income and 67.36% respondents reported that their income increased after engaged in MSE. The other 27.78% respondents reported that their income decreased and the remaining 4.86% reported that their status of income fluctuates from time to time. This means the income increase in one time and decrease or become constant at other time.

This finding of the study reveals that MSE is considered as a good mechanism for low economic status as an increasing the status of income in terms of reducing poverty as indicated by many researchers [32, 35, 42]. On the other hand, this result witnesses that MSE is an instrument for promoting poor and very poor people to lift the quality of their life out

of poverty. This means the implementation of MSE is more useful for those low income or poor economic status of the society and they become food secured after engaged in the sector.

“In addition, an increase in the size of MSE in creating additional job is an indicator for success and profitability of an enterprise as indicated by Arimah [9]”. Table 5 shows that comparison of team size/group member after starting up or engaged in MSE. The sample respondents were asked whether their team size increased or decreased after startup and 47.92% of the respondents reported that their team size increased after start in MSE while 18.75% of the respondents reported that their team size decreased.

Table 5. Size of MSE after start up.

Team size after start up	Agriculture	Manufacturing	Construction	Trade	Service	Total	%
Increased	13	4	3	6	1	27	47.92
Decreased	59	1	1	4	4	69	18.75
No change	36	2	1	3	6	48	33.33
Total	108	7	5	13	11	144	100

Source: own survey in 2015

An increase in size of MSE members is another indicator of the profitability of the sector. According to Assan, Alfred [11], profitability, increasing in the status of income and employment creation is the benefits that MSE offer to the members. Accordingly 81.94% respondents reported that they had benefited from profitability of MSE.

4.2. Support Given to MSE During Their Establishment

Process of establishment is the step that takes the operators of MSE to get their business license at startup. MSE operators pass through different steps of government bureaucracy to get their business license. In first step, the

team member of MSE operators that fulfill the criteria should come together and present application letter to the kebele chairman. Based on their application letter, the kebele chairman carefully clear the idea whether the applicants fulfill the criteria of MSE (low income people or not). According to Assan, Alfred [11] the criteria to be registered for MSE license is for low income people. The Kebele chairman or manager writes a letter to MSE office that express that the applicants are willing to organize in to MSE and should be given different supports such as training, credit, production place and the like. Table 10 shows the different supports given to MSE operators.

Table 6. Support given to MSE operators at startup.

Description	Respondents						% of total
	Agriculture	Service	Trade	Manufacturing	construction	total	
managerial train	29	3	1	4	3	40	27.78
technical train	16	0	1	2	1	20	13.89
credit facility	25	5	3	1	1	35	24.31
production place	22	3	0	0	0	25	17.36
Other	16	0	8	0	0	24	16.67
Total	108	11	13	7	5	144	100

Source: own survey of 2015

During startup, government support such as managerial, technical, credit facility and production place are an

important. From table 6, 27.78% respondents reported that they have got managerial training and 13.89% got technical training support. The other respondents 24.31% reported that they had given credit facility and the remaining 17.36% had got production place support at startup. Other respondents 16.67% have got other supports such as record keeping and Business Development Service (BDS). This study reveals that more than half of the respondents had given training support by SME office of the district.

In addition to the above support, MSE at startup should have saving at micro financial institutions. During startup, MSE operators are obliged to open their account at micro finance to take their business license from MSE office or trade and industry office. There are two types of saving. These are voluntary saving and compulsory saving. Compulsory saving is for those who have taken loan from micro finance institutions while voluntary saving is for those who have no loan/credit. The respondents in the study area were asked whether they have saving account or not. 90% of the respondents reported that they have saving account and the remaining 10% reported that they have no saving account.

The respondents were also asked where they save their money and 90% of them reported that their saving account is at Oromia Credit and Saving Share Company (OCSSC) of Hareto branch. This study reveals that all the respondents in the study area have saving account. But their saving is not in regular way. This means enterprises who have taken loan from micro finance institution have both compulsory and voluntary saving. These enterprises have regularly way of saving. But those who have no loan or credit have only voluntary saving and these enterprises may have irregular way of saving. This shows that credit/loan has greater power in increasing the saving of people.

4.3. Employment Creation

According to Central Statistics Authority [27], unemployment rate in the study area of urban was 13.6%. In this study among the MSE Owners, majority of them (60.4 percent) had no previous occupations and only 39.6 percent had previous occupations. Therefore, MSE is a mechanism of employment creation.

Table 7. Status of job before startup MSE.

Description	agriculture	Service	Trade	Construction	Manufacturing	Total	%
Have job before start up	36	2	4	3	6	87	39.6
Have no job before startup	72	5	9	2	5	57	60.4
Total	108	7	13	5	11	144	100

Source: own survey, 2015

According to this survey, MSE created employment opportunities for those owners of MSE enterprises and among those owners of MSE, 60.4 percent had been unemployed. This means that MSE created job to 60.4 percent of the unemployed people. From this we can conclude that MSE have essential role in employment creation. Those employed in MSE also gain direct and indirect positive effect by being employee of MSE. According to respondents report, majority of owners motivated to engage in MSE for three reasons. Firstly, due to

the background skill they have. Secondly, due to the expectation of better income and finally, due to MSE require low startup capital. From this we can conclude that experience or skill that was gained by working in MSE helps to start their own business and to earn better income. In addition to the above, MSE also has great role in creating job for other none member unemployed. The table below shows an additional job created for other people by sample respondents.

Table 8. Number of other persons employed in each sample sector.

number of persons employed by each sector	Agriculture	Service	Trade	Construction	Manufacturing	Total	%
No job created	105	7	12	0	1	125	86.8
Created job 1-5 people	3	4	1	2	3	13	9.03
Created job 6-10 people	0	0	0	3	3	6	4.17
Created job 11-15 people	0	0	0	0	0	0	0
Created job 16-20 people	0	0	0	0	0	0	0
Created job more than 20 people	0	0	0	0	0	0	0
total	108	11	13	5	7	144	100

Source: own survey, 2015

Table 8 shows comparisons and contrast of different sectors and number of employment it creates for unemployed which are not owners of MSE in the study area. The data indicates those manufacturing and construction sectors are the major in absorbing and creating additional job for the other. In general, construction and manufacturing together from the total 144 sample (7.6%) create job for others

between 1 to 10 persons. This is different for MSE owned from sector to sector. MSE owned in construction and manufacturing creates more employment opportunity than MSE owned trade and service.

Those MSE owned in construction reported that 3.5% of them creates job for 1-10 persons and those engaged in manufacturing 4.2% of them created job opportunity for 1 to

10 persons and MSE owned in agricultural sector has 2% that creates job for 1-5 persons in its employment creation from the total sample of 144 respondents. If we look the job opportunity that can be created in each sector separately, manufacturing and construction are very good in creating additional employment for non-member jobless persons. From the total sample of 144 respondents, the share of construction and manufacturing is superior (7.64%). Although, agriculture is the dominant one in absorbing the greatest labor force in the study area (94%), and in creating income and additional job it is very low. This study reveals that MSE in construction and manufacturing are better in

creating additional employment rather than trade, service and agriculture.

4.4. Types of Jobs Created

As it is shown in Table 9, several types of employment have been mentioned. According to the study, there are different kinds of jobs such as full time recruited, part time recruited, informal work, family part time job, family full time job, and full time self-business. Among those type of employment; full time self-business is a type of business having more employees per enterprise than any other type of jobs.

Table 9. Types of Jobs Created by each sector from total sample.

Type of job created	Agriculture	Service	Trade	Construction	Manufacturing	Total	%
Full time Recruited	-	1	0	2	3	6	4.17
Part time Recruited	-	-	1	3	1	5	3.47
Full time self Business	105	3	12	0	1	121	84.03
Causal work	0	3	0	0	1	5	2.78
Family part time Job	2	2	0	0	0	4	2.78
Family full time job	0	2	0	0	0	3	1.38
Average	108	11	13	5	7	144	100

Source: own survey, 2015

The table above shows that the majority of MSE were engaged in full time self-business (84.03%) and 4.17% of the operators created full time recruited type of job. 3.47% of the respondents reported that they had employed as part time recruited type of job. The other 2.78% of the respondents reported that they had employed as causal and family part time job respectively.

The remaining 3.38% and 3.39% are working in both family full time job and part time self-business respectively. The finding of this study reveals that the majority of MSE in the study area are employed as full time self-business and a few of them were employed as part time, causal, full time

recruited and the others. This indicates that full time self-business is the major type of job that MSE can absorb the majority of unemployed in the study area.

4.5. Income Creation of MSE

The objective of MSE is to create or generate income for poor livelihood families. Poor families engaged in MSE in different forms of ownerships such as proprietorship, cooperatives and others. Successful MSE increase their income every year after start up their business.

Table 10. Current annual income of MSE after startup.

Current income	Agriculture	Trade	Service	Manufacturing	Construction	Total	%
0-5000 Birr	44	1	1	0	0	46	31.94
5001-10000 Birr	34	2	1	0	0	37	25.69
10001-20000 Birr	29	1	4	2	2	38	26.39
20001-30000	1	7	5	1	1	15	10.42
30000 Birr +	0	2	0	4	2	8	5.56
	108	13	11	7	5	144	100

Source: own survey, 2015

The respondents were also asked the status of their current income after engaged in MSE. 31.94% reported that their current income is between 0-5000 EB and 25.69% reported that their current income is between 5001-10000 Birr after startup. The other respondents, 26.39% reported that their current income is between 10,001-20,000 Birr and 10.42% reported that their current income is between 20,001- 30,000 Birr. After startup, the average annual income of MSE in the study area is between 2500 Birr and 16,000 birr after engaged in MSE. The income is an earning of MSE that is obtained from sale of their product in one year on average.

The remaining 5.56% reported that their current income is

more than 30000 Birr. This study reveals that more than half of MSE current income is greater than 15,000 Birr. This means, the implementation of MSE has greater role in generating income. The poor households use this income for different purpose such as to create business, household food consumption, medical expense, children's education and the remaining for saving at bank.

4.6. Measure of Income Creation

According to the survey obtained from respondents from table 11, the success or failure of their enterprise is measured by employment opportunity and increased welfare. 54.86%

respondents reported that the measure of success or failure in income is based on employment opportunity while 42.36% reported that an increase in welfare is measure for the success

or failure of business. Only 2.78% of the respondents reported that they measure the success or failure of their business by opening other branch.

Table 11. Measuring creation of income in MSE.

Measure in increasing income	Agriculture	Trade	Service	Manufacturing	Construction	Total	%
by Employment opportunity	63	8	5	2	1	79	54.86
Increased in welfare	41	5	6	5	4	61	42.36
opening other branch	4	0	0	0	0	4	2.78
Total	108	13	11	7	5	144	100

Source: own survey of 2015

This study reveals that the change in income of MSE is evaluated by increasing or decreasing. According to this survey, the income of MSE is evaluated as slow increasing and very few of respondents' income are decreasing. This indicates that MSE is means of improving the life of poor. This study reveals that creation of employment opportunity and an increase in welfare is an indicator for the success or failure of MSE. This means succeeded MSE increase or create additional job opportunity and improve welfare of the poor while failure of business enterprise is a decrease in welfare and loss of job.

5. Conclusions and Recommendations

5.1. Summary and Conclusion

The study covers almost all sectors that were identified by Jima Genet district MSE office. Therefore, the study identifies the major impacts towards the role of MSE by considering all sectors. From the sectors agriculture and trade sector are the largest one respectively. This shows that in Jima Genet district, MSE business is dominated by agricultural sector. The majority of the sample firms were legally organized as cooperative firms. The data shows that cooperative form of MSE is most common in the study area. Most respondent replied that lack of production place; managerial skill and credit facility are the major problem of all sectors.

The sources of capital fall under the two traditional sources; borrowing from friends & relatives and personal saving. But other informal sources like "Equb" also play a great role in establishing MSE. As compared to the formal sources like microfinance, MSE in the woreda use informal sources. This shows that further studies should be conducted towards microfinance for MSE and the way to strength other traditional informal sources of finance. A few of MSE prepare business plan only to get loan not for the sake of to control their business. This shows that government and other institutions should motivate and help them to establish business plan in order to control business. Most of the sample firms have plan to expand their business if their request fulfilled by the government and other institutions.

5.2. Recommendations

The nature of the problems that identified in the study varies in their complexity from sector to sector and from

place to place. The researcher's recommendations to the problems are as follows;

- The designing and implementation of small business assistance programs should be based on the identification and prioritization of critical factors.
- A practical entrepreneurial development programs requires long-term view of current problems. The study of small business problems must target on finding long lasting and sustainable solutions. And hence detail research on each sector (agriculture, construction, manufacturing, service and trade) should be undertaken to identify the major problems.
- The government should give attention to encourage MSE engaged in manufacturing and construction which have greater capacity in creating job and increasing income of people by giving low interest loan, and giving short term training about the importance of this sector.
- The Kebele administrator, OCSSC and Jima Genet woreda MSE office should improve their services specially the business license and registration procedure. To this implementation of information technology with skilled manpower is crucial.
- The SMEs office should undertake detailed study on the site to be given, the people to be organized, and the talent of the people and their capability of doing the intended business before giving the working place and licenses.
- The MSE office should be transparent at the time of allocating the working place to the unemployed. At the same time close supervisor of the MSE should be designed.
- To solve conflicts between MSE businesses, the organizer, MSE office should force them to develop their own rules and regulations.

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