WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Factors Affecting Growth and Sustainability of Micro and Small Enterprises, in Kawakoto Town, Silte Zone, Snnpr, Ethiopia

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Doi : https://doi.org/10.55248/gengpi.5.0924.2636

ABSTRACT

Micro and small enterprises (MSEs) are widely acknowledged for their contributions to job creation, income generation, and poverty reduction. The study was conducted in Silte Zone Kawakoto town, with the main objective of analyzing factors that affect the growth and sustainability of micro and small enterprise. Specifically, it was aimed to identify the factors that affect the growth and sustainability of MSEs in Kawakoto town, to evaluate the sustainability of micro and small enterprises in Kawakoto town, and to assess the challenges and current performance of MSEs. For the sake of achieving the objectives of this study, questionnaires were analyzed using statistical analysis such as descriptive and inferential analyses. The information was gleaned through a questionnaire from a sample of 152 operators. The respondent operators were selected using a simple random sampling technique. Data were cleared, coded, entered, and analyzed using SPSS software version 21. The empirical study elicited eight major challenges which affected the growth and sustainability of micro and small enterprises which include: inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices, and technological, entrepreneurial, and politico-legal problems. The result suggests that to make MSEs competitive and successful, increasing the capacity and skill of the operator's management skill through continuous training, experience sharing from successful enterprises, and provision of advice and consultancy is crucial. Moreover, improved provision of necessary infrastructure and enabling the environment for business operations is generally imperative. The uninterrupted power supply is also essential to the effective growth and sustainability of these enterprises.

Keywords: Silte Zone, Micro and Small Enterprises, Growth, Sustainability, performance

1. Introduction

In developed as well as developing countries, micro and small enterprises (MSEs) play an important role in the economic and social activities of the people. This research identifies what factors affect the growth and sustainability of micro and small enterprises in Kawakoto town, Silte zone. There are enormous external and internal factors that hinder MSEs' working performance, motivation, and working habits in Kawakoto town. The researcher thinks about the problem; it may be management, marketing, entrepreneurship, infrastructure, financial, technological, political, and working place factors that affect the growth and sustainability of MSEs in Kawakoto town. After the completion of this study, the remedies or solutions identified in this study, with the support and supervision of small and micro enterprises can bring about change and sustainable development.

1.1 Background of the Study

Micro and small enterprises (MSEs) play a crucial role in the global economy and manufacturing (Tong et al., 2022), and they sustain and grow the economies of countries, both developed and underdeveloped. It is considered to be the basis of economic growth for the economy that supports the development of the supply chain system. Micro and small enterprises (MSEs) play a key role in driving economic prosperity and improvement around the world. Much attention has been focused on the development and sustainability of MSEs and the important role they play in the development of countries in different regions of the world (Shitaye et al. 2022). This shows that micro and mall enterprises (MSEs) play an important role in the improvement and growth of the international economy, in addition to poverty alleviation. Micro and mall enterprises (MSEs) are important in national economies, especially in developing countries, as they make a positive contribution to improving income distribution, job creation, poverty alleviation, rapid industrialization, regional development, and enabling export growth. (Mamo.2020). Micro and mall enterprises and MSEs with the ability to create more jobs have proven to be strong proponents of economic expansion (Kinfe 2019). Therefore, MSEs are regarded as important actors in job creation in developing countries (Gregurec et al. 2021). Ethiopia is also a developing country in Africa where micro and small enterprises (MSEs) contribute significantly to most economies. MSEs not only serve as an important tool for creating employment opportunities but also contribute to the

economic growth of the country, especially as a catalyst for the transition to an industrial society. MSEs are considered to be hotbeds of growth for large organizations (Olana 2020). The Federal Micro and mall enterprises Agency and the Government of Ethiopia formulated the National Small and Medium Enterprise Strategy in 1997 to achieve the long-term vision of rapid, sustainable and equitable socio-economic growth and development, poverty reduction and the realization of the Millennium. Based on the goals within the framework of macroeconomic stability (MDGs), Ethiopia is currently implementing a 5-year (2010/11-2014/15) Growth and Transformation Plan (GTP). Micro and mall enterprises (MSEs) are considered to be the engine of equitable development and economic growth of our economy, but there is still more work to be done. Achieving our country's long-term vision may not be easy due to numerous failures in these areas and other factors, but the 5-year Growth Transformation Plan (GTP) and long-term vision provide the necessary conditions. It will only happen if. The needs of today's generation can be met without compromising the ability of future generations to meet their own needs.

1.2 Statement of the Problem

According to the United Nations Industrial Development Organization, Ethiopia has the lowest entrepreneurship rate and the lowest number of private enterprises per capita in sub-Saharan Africa (Shitaye et al.2022). Therefore, the Ethiopian government is focusing on micro-enterprises and MSEs, mainly due to their importance in creating jobs. However, micro, micro and mall enterprises (MSEs) face some specific challenges (e.g. COVID-19, lack of funding, loss of business premises, promotional issues, inadequate infrastructure, poor management practices, technical, entrepreneurial (family, political, legal issues, etc.). . subjects). Moreover, studies using firm data from the MSEs sector show that many of these firms are less productive, produce inferior products, and expand at a young age (MubitaAurick et al. 2017). The same author, therefore, argued that many of these micro and mall enterprises tend to remain at low levels even after years of existence. (Debebe, Regan, 2011) Regarding the importance of MSEs in the economy, the growth, sustainability, success and performance of these companies in this sector are of serious concern. Small businesses are subject to many factors that determine their ability to survive in the competitive business world. Therefore, research that may lead to the identification of factors associated with MSEs performance has focused most heavily on policymakers, owner-managers and their advisers (Biju et al., 2012). According to Albert (2013), the main factors/problems that limit a small firm's success, growth, or sustainability are divided into two groups:

The first is the factors that originate from within the firm (in other words, they are internal to the firm), and the second group is the factors that originate from outside the firm (these are external to the firm). The internal factors limiting a small firm's growth and sustainability are the characteristics and attitude of the entrepreneur(s) and the firm as a whole. According to MekonninDeribe and TilayeKassahun (2013), these factors can be impacted by the decisions made in the firm, either by the entrepreneur(s) or the staff in the firm. These factors are lack of motivation and drive; lack of background and experience in the business; Capital constraints, lack of a proper business plan/vision, Theft, cheating, and a lack of trust in doing business Poor management, running informal or unregistered businesses, Lack of proper record keeping, inadequate education and training, the people factor (lack of needed talent), and improper professional advice and consultation. The elements that have to do with decisions, rules, and policies that directly affect MSEs are known as "external factors," and in response, while the firm has no control over the decisions taken, it may be able to influence a change in how they are implemented. These factors include bureaucratic procedures, adverse economic considerations, technological barriers, government regulation, corruption, competition and government policy. These issues cause his MSEs to malfunction. In Kawakoto City in particular, many factors encourage crimes such as gambling, theft, adultery, and commercial sex among micro and mall enterprises, and most of the young people are unemployed (Kawakoto Town Youth Bureau, 2023). Therefore, the purpose of this study is to provide information on the sustainability and growth of MSEs in a specific location in Kawakoto Town, Silte zone and the factors affecting the growth and sustainability of micro and mall enterprises.

1.3 Research Questions

1. What are the main internal factors that affect the growth and sustainability of MSEs in Silte Zone, KawakotoTown, related to management and entrepreneurship?

1.3.1 Specific Objectives

1. To identify internal factors that affect the growth and sustainability of MSEs in Silte zone, Kawakoto town related to management and entrepreneurship.

2. REVIEW OF RELATED LITERATURE

The related literature review section has the following main elements: The first element begins with a conceptual literature that defines the MSEs epidemic, especially in the Ethiopian context. The second part provides a good and sufficient theoretical perspective on the factors that affect the overall performance of MSEs. The third component is an empirical literature review based primarily on previous studies on the factors. The fourth component prepares the reviewed literature and conclusions on the current knowledge base and research gaps.

2.1 Theoretical Review

2.1.1 Meaning of Micro and Small Enterprises

There is no universally accepted definition of MSEs worldwide. The Ministry of Trade and Industry (MTI) uses capital investment, while the Central Statistical Agency (CSA) uses the employment definition of micro and mall enterprises (MSEs). The two main ways to define MSEs are size criteria (e.g. number of employees, turnover, asset size, total capital expenditures) and economic criteria (market share, independence, individualized management) (Tekele, 2019).), In the case of Ethiopia, until recently there was no clear definition at the national level to form a common understanding of the MSEs sector. While the Department of Commerce definition promotes capital-intensive technologies as a benchmark for developing micro-enterprise growth strategies, MTI developed its 1997 definition to use capital expenditures as a benchmark. (Addis Alemayehu, Tekele, 2019) The 2011-published Ethiopian Small and Micro Enterprises Development Strategy states that the working definition of MSEs is based on labor and capital (Tekele, Addis Alemayehu, 2019). Depending on the demographic and economic development stage, the definition of MSEs varies from country to country. Employee turnover is the definition of MSEs in the US and Europe. MSEs are defined by the European Commission and the Organization for Economic Co-operation and Development as companies with fewer than 250 employees (Habtamu, 2010).

For example, in developing countries, employment level and capital investment are the main factors determining the status of MSEs in Tanzania, while annual income and capital investment are the main factors in Zambia. Similar to the definition of MSEs in Ethiopia, factors such as employment, capital investment, production capacity, technology level and subsectors are considered (World Bank, 2010). To compensate for the shortcomings of the previous definition, the current definition considers human capital and assets as key measures of microenterprises.

Table 2.1 The new definition of MSEs

Level of Enterprise Sector	Sector	Human Resource	Total assets
Micro-Enterprise	Industry	≤5	≤ Birr 100,000 ($ 6000)
	Service	≤5	≤ Birr 50000 ($ 3000)
Small Enterprise	Industry	6-30	≤ Birr 1.5 million ($9000)
	Service	6-30	≤ Birr 500000($ 3000)

Source: Ethiopian Micro and Small Enterprise Development Strategy (2011)

2.1.2 Factors Affecting Growth and Sustainability of MSEs

Both industrialized and developing nations view micro and small enterprises as essential to socioeconomic growth; nonetheless, many of these enterprises fail during the first few years of operation. Some of the companies in operation are expanding rapidly, while others are expanding more slowly. Therefore, identifying the causes of success is of crucial importance as this allows new entrants to take them into account and apply them to their future commercial ventures (Belay Kinat. et al.2015). Because of economic, geographic, and cultural differences, these characteristics may vary from nation to nation. The results of this type of study on the success factor are crucial for emerging nations like Ethiopia since they may be used by planners of the country's economic development as well as by individual entrepreneurs and business owners. The dependent variables (Growth and Sustainability) of this study are reviewed in the next section along with relevant works of prior scholars. Eight success variables were picked for the researcher to look into and analyze. These include entrepreneurship, management, marketing, politics, finance, the workplace, and technology.

2.1.3 Access Management Experience on Growth and Sustainability of MSEs

In some cases, the owner/manager does not understand the financial reports or does not use them for planning purposes. They are unable to distinguish between personal and business expenditures and do not have a clear view of production costs (e.g. labor costs, cost per item). capital unit. Marketing cost per unit of product). The inability to continuously evaluate results can mean that problems are not identified early on when changes can be made at a reasonable cost. Small businesses rarely measure their organization's progress against their plans. This acts as an early warning system by providing clues for further investigation. Lack of creativity, innovation and responsiveness therefore hamper MSEs. For many MSEs entrepreneurs, a lack of management skills and professional experience in affiliated companies is cited as an obstacle to growth. Ethiopia lacks an entrepreneurial culture in general, especially among owners/operators of prospective and ongoing MSEs (Okpara, 2011).

Furthermore, the executive background reported in their study is also less important to firm success. This is probably because most of the managers of failed companies do not accept that lack of education and experience as managers is the cause of their failure (Temtime&Pansiri (2004)).

2.1.4 Access to Marketing Information on the Growth and Sustainability of MSES

Information is the lifeblood of a company. Organizations cannot survive without information. They need information about markets, products, government policies and more. Access to market information services is recognized as an area that requires the attention of governments and market service providers if the MSEs sector in developing countries is to reach a level of sustainable growth and development. Many companies in Africa

operate in an information-poor environment due to a lack of adequate market support services and poor information technology infrastructure. Successful use of structured marketing information services is likely to improve performance. Mahmoud (2011) concluded that higher levels of market information lead to higher levels of performance of Ghanaian MSEs. A study by Keh et al. (2007) showed a positive correlation between the availability and use of business information and organizational performance.

2.1.5 Access to Government Regulation of Policy on Growth and Sustainability of MSEs

Another obstacle is the government's lack of commitment to ensuring a favorable business environment and improving the capacity of MSEs.According to the World Bank (2005), developing countries such as Ethiopia have highly regulated legal and political frameworks for the business environment. For example, in the development policy of the last five years, the Sustainable Development Acceleration Program for Poverty Eradication (PASDEP) is a plan that provides various financial and non-financial benefits to large corporations, so there is no evidence for the above claims. It has become. PASDEP provides a mechanism for imposing taxes on imported raw materials and industrial machinery, especially the textile and clothing, cement and steel, meat and leather and sugar industries, but with little benefit to MSEs (Ministry of Finance). 2006).

Therefore, micro and mall enterprises operating in this difficult political and regulatory environment have two options:

Complying with rules and regulations and/or conducting business informally. However, research shows that regulatory compliance is a problem for MSEs in terms of expanding their business, accessing competitive markets, and securing profits. Working in the informal sector deprives MSEs of the limited services available (Eshetu and Mammo 2009, 12-13).

2.1.6 2.6. Access to Financial Control of Planning on Growth and Sustainability of MSEs

The biggest perceived problem for MSEs is the lack of access to credit/financing. Ethiopia's multiple credit constraints and underdeveloped capital markets force entrepreneurs to rely on their funds or borrow from friends and family. Not enough to optimize. Lack of access to long-term financing for MSEs forces most MSEs in Kenya to rely on expensive short-term financing. Various financial challenges faced by MSEs include high borrowing costs, high bank charges and a lack of adequate infrastructure (Kauffmann, 2005). After raising seed capital, rising sufficient funding for sustainable business growth becomes another challenge (Carter, Greene, and Hart, 2003). A survey of small manufacturing companies in Nairobi found finance to be a key issue. Nyambura (2013). In more advanced developing countries, basic institutions have made some progress, but MSEs still find it difficult to access formal finance in the form of bank loans, guarantees, venture capital and leasing. confronting. Commercial banks may often make very large loans to MSEs. Due to the short investment period, it is not possible to make large investments. In addition, the perceived high risk associated with lending to MSEs may limit access to competitive interest rates (Nyambura, 2013). So we need to explore an alternative (Sheikh 2021)

2.1.7 Access to Marketing Skill and Strategy for Growth and Sustainability of MSEs

Marketing skills such as finding new leads, demonstrating effective business positioning, dealing with customers, finding effective ways to advertise, and the ability to generate new ideas should equip small and medium-sized businesses for long-term success. A very important factor. To be sustainable in the future. Also, Temtime&Pansiri (2004), in their study of key success/failure factors for MSEs.in developing countries, reported in Botswana that: Marketing activities such as product marketing, market research, and demand forecasting have a significant impact on the success of MSEs. Apart from the a religion can remain among the factors (Sheikh .et.al, 2020)

4. RESULT AND DISCUSSION

Introduction

This part focuses on the data collection, analysis, and interpretation to analyze and determine the factors affecting the growth and sustainability of MSEs in Kawakoto town. Therefore, the findings from the questionnaire, interview, and results are discussed as per the objectives in this chapter. Reports of results from descriptive analysis and inferential statistics had been discussed in this section.

This section is organized as follows:

First, general information about MSEs was presented and analyzed. Next, we analyzed the data collected in the questionnaire. Moreover, the results of Pearson’s Product Moment Correlation Coefficient and regressions were analyzed. Out of the 110 participants, 96 (87%) questionnaires were returned. 14 (13%) questionnaires did not return because involuntary to return the questionnaires for the researcher.

4.1 Demographic Characteristics of Respondents

Table 4.1: Sex and Education Level

Variable	Category	Frequency	Percent
Sex	Male	59	61.5

	Female	37	38.5
	Total	96	100
Education	Illiterate	20	20.8
	Grade 10	50	52.1
	Diploma	16	16.7
	Degree	10	10.4
	Total	96	100

Source: Own Survey, 2023

The basic information obtained in the survey is presented below. It was found that among the total surveyed participants in enterprises, 59 were male and the remaining 37 respondents were female members. Of the total respondents, about 20 of them did not attend any formal education (illiterate), 50 attended formal education or less than grade-6, completed grade-10 certificate 16, and the remaining 10 owned diplomas and above (degree certificate) (Table 4.1). Educational background is believed to be an important feature that determines the readiness of enterprise owners to accept new ideas and innovations to help the performance and sustainability of the enterprise. Also, it affects technology adoption decisions. It plays a major role in decision-making processes that change people's life processes. In the study area, more educated enterprise owners showed better performance than low educated as they are expected to adopt new technologies to increase their business and labor productivity.

4.2 Socio-Demographic Characteristics of Respondents

Table 4.2: Socio-Demographic Characteristics of the Respondents

Variables	**Mean**	**Std. Dev.**	**Minimum**	**Maximum**
		Maximum		
Age (years)	27.14	10.322	16	50
Experience in micro and small enterprises over the years	3.786	1.7914	0.5	7

Source: Own survey, 2023

The mean age of the sampled respondents was 27.14 years with a minimum age of 16 years and a maximum of 50 years old. Experience in micro and small enterprises in years showed that on average enterprise has 3.786 years and a minimum of 6 months (0.5 years) with a maximum of seven (7) years This shows the majority of respondents are between the ages of 20 and 30 years in which they are active workforce ready to act where there is comfortable situation is prepared for them because of they are in adult age and have many responsibilities in the future. Even though individuals can learn more from their experience that can help them to predict and be flexible according to the opportunities in the Environment, and can learn more from their colleagues in planning and in creating relationships with society/customers consuming their products, most respondents of MSEs have 1-3 years in which their experience of year has an impact on growth and sustainability of MSEs.

4.3 Business Type of Enterprises

Table 4.3: Business type of enterprises

Business Type	**Frequency**	**Percent**
Retail and Merchandise Shop	11	11.5
Manufacturing	7	7.3
Construction	9	9.4
Services	32	33.3
Electronics and ICT maintenance	3	3.1
Urban agriculture	34	35.4
Total	96	100

Source: Own Survey, 2023

From the sample enterprises covered in this study, 11(11.5%) were engaged in retail and merchandise shopping. Manufacturing included is 7(7.3%). On the other hand, 9(9.4%) were engaged in construction enterprise, 32(33.3 %) were employed in services, 3(3.1%) were engaged in electronics and ICT maintenance shops and the remaining 34(35.4%) were employed by urban agriculture like poultry production, livestock fattening, and others. This shows that the majority of enterprises were engaged in urban agriculture and service sectors. (Table 4.3).

4.4 Planning Practice

Table 4.4: Planning practice

Parameter		Frequency	Percent
Does your enterprise have a business plan?	Yes	14	14.6
	No	82	85.4
	Total	96	100
Do your enterprise working as your plan?	Yes	10	10.4
	No	86	89.6
	Total	96	100

Source: Own Survey, 2023

A business plan can be considered as a backbone of the effective and sustainable performance of any business. However, most of the enterprises were working without a business plan. One can easily see what kind of planning practices enterprises are doing in short-term and long-term planning. Only 14(14.6%) of enterprise owners have a business plan and the majority of the enterprises 82(85.4%) have no business plan and working with a traditional planning method. However, those who have business plans also not working as they planned. This data reveals majority of respondents MSEs owners have poor trends regarding their planning practice. Nearly, 86(89.6%) were not working as they planned and only 10(10.4%) are working with the plan. This indicates working without a business plan and working without a plan affects the growth and sustainability of MSEs. (Table 4.4).

4.5 Business Ownership

Table 4.5: Business Ownership

Business ownership	Frequency	Percent
Sole proprietorship	36	37.1
Partnership	60	62.9
Total	96	100

Source: Own survey, 2023

Regarding ownership as shown in Table 4.5 below of the total respondents 36(37.1%), MSEs are owned and operated by one person as a sole proprietorship. And the remaining 60(62.9%) are owned by more than one person as a partnership.

4.6 The Main Source of Start-up and Expansion Finance

Table 4.6: Source of Start-up and Expansion Finance

Finance source	Frequency	Percent
Own savings	21	21.9
Microfinance institutions	11	11.5
Family	15	15.6
Friends and relatives	13	13.5
Iqub / Idir	17	17.7
Banks	10	10.4

NGOs	9	9.4
Total	96	100

Source: Own survey, 2023

Starting your own business requires a starting capital rather than the mere existence of ideas. To capture information regarding the relative importance of the various sources of finance, enterprises were asked whether they ever received credit from each of a given list of sources of finance. The following table shows the main sources of funds.

As can be seen from the Table 4.6 own savings 21(21.9%) are the most frequently used sources, followed by Iqub / Idir 17(17.7%), family 15(15.6%), friends/relatives 13(13.5%) and microfinance institutions 11(11.5%), banks 10(10.4%) and the remaining sources of finance come from NGOs 9(9.4%).

4.7 Results of Measures of Central Tendency and Dispersion

Different challenges affect the growth and sustainability of MSEs associated with different factors. The results for measures of central tendency and dispersion were obtained from the sample of respondents of retail and merchandise shops, manufacturing, construction enterprise, services, Electronics & ICT maintenance, and urban agriculture are shown in the following tables.

Table4.7 politico-legal factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics and ICT Maintenance		Urban agriculture		*Grand*	
Political & Legal factor	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
Unfair tax levied	4.27	.647	4.00	1.15	3.22	1.563	3.94	1.10	4.67	.577	3.82	1.31	3.99	1.067
Lack of government support	4.09	.944	3.43	1.134	3.67	1.414	3.78	1.539	3.33	2.082	3.68	1.408	3.66	1.42
Political intervention	3.55	1.36	4.29	.951	4.44	1.014	3.94	1.19	4.67	0.577	3.47	1.41	4.06	1.086
Bureaucracy in company registration and licensing	4.55	.522	3.43	1.512	4.33	.866	4.13	1.185	4.00	1.000	3.82	1.466	4.04	1.091
Grand mean/Standard deviation													3.937	1.166

Source: Field Survey, 2023

MN=mean SD=standard deviation

As it is indicated in Table 4.7 above, the mean and standard deviation for the politico-legal factors were calculated. The table shows the Political intervention has a mean score of 3.55 with a standard deviation of 1.36 for Retail and merchandise shops, a mean score of 4.29 with a standard deviation of 0.951 for Manufacturing, a mean score of 4.44 with a standard deviation of 1.014 for Construction mean score of 3.94 with a standard deviation of 1.19 for Services mean score of 4.67 with a standard deviation of 0.577 Electronics & ICT maintenance and the mean score of 3.47 with standard deviation of1.41 for Urban agriculture. The above result shows that Political intervention is the main factor that affects the performance of all sectors.

It is followed by the average score of the respondent's response about Bureaucracy in company registration and licensing issues. According to Table 4.7 above, for enterprises engaged in Retail and merchandise shops, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture sector, Bureaucracy in company registration and licensing issues on their business is not reasonable. The agreement on the non-reasonability of the tax amount is justified by the calculated means of 4.55, 3.43, 4.33, 4.13, 4.00, and 3.82 with a standard deviation of .522, 1.512, .866, 1.185, 1.000 and 1.466 respectively. The mean score (4.09) and standard deviation (.944) shows that the operators of Retail and merchandise shop in MSEs agree with the problem related to the Lack of government support around their working areas. But, the business owner-manager engaged in Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture neither 'agreed' nor 'disagreed' with this problem. Furthermore, the table indicates that unfair tax levied issues are another problem that affects the performance of enterprises engaged in Retail and merchandise shop, Manufacturing, Services, Electronics & ICT maintenance, and urban agriculture with a mean of 4.27, 4.00, 3.94, 4.67, and 3.82 and standard deviation of .647, 1.155, 1.105, .577, and 1.314 respectively. But, respondents of Construction have disagreed with the factors related to unfair tax levied issues. The mean score and standard deviation clearly show their disagreement. That is a mean of 3.22 and a standard deviation of 1.563 for owner-managers engaged in the Construction sector.

Table4.8 working place factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics and ICT maintenance		Urban agriculture		*Grand*	
Working place relate factor	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
1. Absence of own premises	4.73	.467	4.29	.756	4.44	.726	3.78	1.128	4.00	1.000	3.88	1.274	4.186	0.891
2. Current working place is not convenient	4.09	1.136	2.86	1.345	3.78	1.202	4.09	.995	4.00	1.732	3.56	1.307	3.731	1.286
3. The rent of the house is too high	4.27	.467	5.00	.000	3.89	1.269	4.50	.880	3.67	1.528	3.97	1.337	4.216	.913
Grand mean/Standard deviation													4.044	1.03

The mean scores and standard deviations in Table 4.8 above show, the premises factors that hinder the performance of the enterprises are, the rent of the house being too high and the current working place not convenient for their business. As the mean score of the rent of the house is too high indicate 4.27, 5.00, 3.89, 4.50, 3.67, and 3.97 with the standard of .467, .000, 1.269, .880, 1.528, and 1.337 for respondents engaged in Retail and merchandise shop, Manufacturing, Services, Electronics & ICT maintenance, and urban agriculture respectively. The above result shows that the high rent of houses is the main factor that affects the performance of all sectors. The respondents of Retail and merchandize shops, Construction, Services, Electronics & ICT maintenance, and urban agriculture sectors agree with their current working place is not convenient to run a business. Their mean scores are 4.09, 3.78, 4.09, 4.00, and 3.56 and their standard deviations are 1.136, 1.202, .995, 1.732, and 1.307 respectively. But, the mean scores and standard deviations for enterprises engaged in Manufacturing are 2.86 and 1.345 respectively.

Table 4.9 technological factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics and ICT maintenance				Urban agriculture		*Grand*
Technological factor	MN	SD	MN	SD		MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
1. Lack of appropriate machinery and equipment	4.09	.701	4.86	.378		3.89	1.537	3.50	1.459	3.33	1.528	3.47	1.562	3.856	1.194
2. Lack of skill to handle new technology	4.55	.688	4.14	.378		3.67	1.414	3.41	1.411	4.67	.577	3.97	1.058	4.068	0.921
3. Unable to select the proper technology	4.18	1.250	3.71	1.380		4.78	.441	4.00	1.414	4.00	1.000	4.15	1.258	4.136	1.123
4. Lack of money to acquire new technology	3.73	1.348	4.43	1.134		3.89	1.691	3.97	1.092	3.00	2.000	4.03	.758	3.841	1.337
Grand mean/Standard deviation													3.975	1.143	

Source: Field survey 2023

MN =mean SD=standard deviation

In Table 4.9 above, specifically, the lack of appropriate machinery and equipment is the main problem of MSEs engaged in Manufacturing. The mean scores and standard deviations are 4.86 and .378 respectively. This is followed by Unable to select proper technology in general. The mean score and standard deviation are 4.136 and 1.123 respectively. According to Table 4.9, for operators engaged in all sectors, a Lack of skills to handle new technology moderately affects their performance. On the other hand, the mean and standard deviation for lack of money to acquire new technology, the table above depicts that the respondents' agreement scale is more than undecided, indeed less than agreed. That is the mean ranged between 3.00 and 4.43 for lack of money to acquire new technology.

Table 4.10 infrastructural factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics and ICT maintenance		Urban agriculture		Grand	
Infrastructure factor	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
1. power interruption	4.91	.302	4.14	1.464	4.00	1.000	3.81	1.306	4.00	1.000	4.35	.950	4.201	1.003
2. Insufficient and interrupted water supply	4.55	.820	3.00	1.291	4.00	1.323	3.91	1.353	4.00	1.732	3.94	1.127	3.9	1.274
3. Lack of sufficient and quick transportation service	4.18	.603	3.43	1.512	3.22	1.563	4.03	1.150	5.00	.000	3.85	. 857	3.951	0.947
4. Lack of appropriate road	3.64	1.362	4.14	1.574	4.11	1.364	3.97	1.092	3.00	.000	4.29	.676	3.858	1.011
Grand mean/standard deviation													3.977	1.058

Source: Field survey, 2023

MN=Mean, SD=Standard deviation

The result presented in Table 4.10 shows that power interruption is the main problem followed by a lack of sufficient and quick transportation service that hinders the business performance of all sectors. The mean scores of power interruption are 4.91, 4.14, 4.00, 3.81, 4.00, and 4.35 with a standard deviation of .302, 1.464, 1.000, 1.306, 1.000, and .950 for Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. The mean scores of lack of sufficient and quick transportation service are 4.18, 3.43, 3.22, 4.03, 5.00, and 3.85 with standard deviations of .603, 1.512, 1.563, 1.150, .000, and .857 for Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. On the other hand, the Lack of appropriate roads is the main challenge that hinders the performance of business operators engaged in urban agriculture. The table above shows that, according to respondents of the urban agriculture sector, the mean score of 4.29 with standard deviations of .676 for Lack of appropriate roads.

Table 4.11marketing factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics &ICT maintenance		Urban agriculture		Grand	
Marketing factor	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
1. Inadequate market for my product	4.00	1.000	4.14	1.069	3.89	1.167	4.13	1.129	4.00	1.000	4.24	.890	3.905	1.125
2. Searching new market is so difficult	3.45	1.368	2.43	1.618	4.22	.833	4.06	1.162	4.67	.577	3.79	1.431	3.76	1.199
3. Lack of market Information	4.27	1.272	4.00	1.000	4.00	1.225	4.41	1.160	4.00	1.000	3.35	1.475	3.951	1.176
4. Lack of demand forecasting	3.82	.603	3.57	1.397	4.00	1.500	4.31	1.030	5.00	.000	4.06	1.229	4.055	0.92
Grand mean/ standard deviation													3.917	1.105

Source: Field survey, 2023

MN=Mean, SD=Standard deviation

As shown in Table 4.11 above, the mean scores and standard deviations clearly show respondents' agreement on the variables. That is mean scores of Lack of demand forecasting are 3.82, 3.57, 4.00, 4.31, 5.00, and 4.06 with standard deviations of .603, 1.397, 1.500, 1.030, .000, and 1.229 for MSEs engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. In Table 4.5 it can be seen that Lack of market information is another marketing factor that affects the performance of sectors engaged in this study. The mean score of 4.27, 4.00, 4.00, 4.41, 4.00, and 3.35 with a standard deviation of 1.272, 1.000, 1.225, 1.160, 1.000, and 1.475 for sectors engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively.

Table 4.12.financial factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics &ICT maintenance		Urban agriculture		Grand	
Financial factor	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
1. Inadequacy of credit institutions	3.73	1.421	2.71	1.380	4.00	1.323	3.16	1.629	4.00	1.000	4.03	1.167	3.605	1.32
2. lack of cash management skills	4.27	0.647	4.43	.787	4.22	1.093	4.00	1.368	2.33	2.309	3.56	1.561	3.801	1.294
3. High collateral is required for the loan.	3.64	1.286	4.14	.690	4.00	1.000	4.09	1.088	2.67	2.082	4.06	1.254	3.766	1.233
4. Shortage of working capital.	4.27	0.467	2.71	1.380	3.67	1.414	3.72	.991	5.00	.000	4.18	.999	3.925	0.875
5. high-interest rate for credit	4.55	.688	4.00	1.732	4.22	.833	3.88	.793	4.00	1.000	4.00	1.044	4.108	1.015
Grand mean/ standard deviation													3.841	1.147

Source: Field survey, 2023

MN=Mean, SD=Standard deviation

The mean scores of 4.55, 4.00, 4.22, 3.88, 4.00, and 4.00 with a standard deviation of .688, 1.732, .833,.793, 1.000, and 1.044 of the respondents in Table 4.12 show that those operators engaged in Retail and merchandise shops, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture sectors have highly faced the problem related to High-interest rates for credit respectively. Regarding shortage of working capital, the mean score of 4.27, 2.71, 3.67, 3.72, 5.00, and 4.18 with a standard deviation of .467, 1.380, 1.414, .991, .000, and .999 for entrepreneurs engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively affected the sectors next to the above problem. Similarly, the lack of cash management skills is high with a mean score of 4.27, 4.43, 4.22, 4.00, 2.33, and 3.56 with a standard deviation of .647, .787, 1.093, 1.368, 2.309, and 1.561 for operators of Retail and merchandise shop, Manufacturing, Construction, Services, and urban agriculture respectively. But, the mean scores and standard deviations are 2.33 and 2.309 respectively for enterprises engaged in Electronics & ICT maintenance not affected by this problem highly.

Table 4.13.management factors that affect the performance of MSEs

Item	Retail and Merchandise shop		Manufacture		Construction		Services		Electronics &ICT maintenance		Urban agriculture		Grand	
Financial factor	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD	MN	SD
1. lack of clear division of duties and responsibilities	3.91	1.136	4.00	1.155	3.22	1.394	3.56	1.216	4.00	1.000	4.26	1.136	3.825	1.172
2. poor organization and ineffectiveness	4.36	1.027	3.43	1.397	3.22	1.302	3.69	1.256	4.00	1.732	4.32	.727	3.836	1.24
3. poor selection of associates in business.	4.09	1.221	3.86	1.345	4.11	1.054	3.94	1.435	4.00	1.000	4.18	.716	4.03	1.128
4. lack of well-trained and experienced employees.	3.82	1.168	4.57	.787	4.44	.726	4.03	.897	4.33	1.155	3.53	1.212	4.12	0.99
5. lack of strategic business planning	4.55	.688	4.29	.756	4.11	1.054	4.03	1.204	5.00	.000	3.94	1.127	4.32	0.804
Grand mean/ standard deviation													4.02	1.066

Source: Field survey, 2023 MN=Mean, SD=Standard deviation

As shown in Table 4.13 above, a Lack of strategic business planning is the main problem that hinders the performance of micro and small enterprises. It shows a mean score of 4.55, 4.29, 4.11, 4.03, 5.00, and 3.94 with a standard deviation of .688, .756, 1.054, 1.204, .000, and 1.127 for micro and small enterprises engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. Therefore, the average score of the respondents about the Lack of strategic business planning indicates their agreement with little deviations among them. Regarding the Lack of well-trained and experienced employees, the mean scores are 3.82, 4.57, 4.44, 4.03, 4.33, and 3.53 with a standard deviation of 1.168, .787, .726, .897, 1.155, and 1.212 for operators engaged Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. In an interview with the owners of MSEs, it was verified that Lack of clear division of duties and responsibilities; poor organization and ineffectiveness, poor selection of associates in business Lack of well-trained and experienced employees are the main problem in all sectors selected in this study. It concluded that the questionnaire response from operators and interview response from the owner-manager verified the management factor is the main problem in the growth and sustainability of MSEs in the study area.

Table 4.14.enterpreneurial factors that affect the performance of MSEs

Items	Retail and merchandise shop		ManufactureE		Construction		Services		Electronics&ICT Maintenance		Urban agriculture		Grand	
Entrepreneurial factor	*MN*	*SD*	*MN*	*SD*	*MN*	*SD*	*MN*	*SD*	*MN*	*SD*	*MN*	*SD*	*MN*	*SD*
1) Lack of motivation	4.00	1.000	4.00	1.414	3.67	1.414	4.09	1.118	3.67	.577	4.24	.955	3.94	1 .079
2) Lack of tolerance to work hard	4.00	1.342	3.57	1.813	4.33	.707	3.94	1.162	3.67	1.528	3.71	1.508	3.87	1.343
3) Lack of persistence and courage to take responsibility for one's failure	3.45	1.508	4.29	1.496	3.78	1.481	3.84	1.019	3.67	2.309	3.74	1.355	3.795	1.528
4) Absence of initiative to assess one's strengths and weakness	3.64	1.433	4.29	1.113	3.78	1.302	3.88	1.408	4.00	1.000	3.79	1.388	3.896	1.274
5) Lack of information to exploit business opportunities	3.64	1.362	3.71	1.380	4.11	1.054	3.81	1.281	2.00	1.000	4.41	.857	3.613	1.155
Grand mean/standard deviation													3.822	1.275
Source: Field survey, 2023						MN=Mean, SD=Standard deviation								

Among the entrepreneurial factors, Lack of motivation scores the highest mean as 4.00, 4.00, 3.67, 4.09, 3.67, and 4.24 with a standard deviation of 1.000, 1.414, 1.414, 1.118, .577, and .955 for operators engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. The second most important factor that affects the performance of micro and small enterprises is the absence of initiative to assess one’s strengths and weaknesses.

Their mean score of 3.64, 4.29, 3.78, 3.88, 4.00, and 3.79 with a standard deviation of 1.433,1.113, 1.302, 1.408, 1.000, and 1.388 for owners engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. This shows that the operators of all sectors agreed that they have faced the problem of assessing their weaknesses and strengths. Furthermore, the mean and standard deviation indicates that lack of tolerance to work hard is the third entrepreneurial factor that hinders the success of entrepreneurs employed in all sectors. Given that a mean score of 4.00, 3.57, 4.33, 3.94, 3.67, and 3.71with standard deviation of 1.342, 1.813, .707, 1.162, 1.528, and 1.508 for micro and small enterprises engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. Regarding lack of persistence and courage to take responsibility for one's failure, the mean of 3.45, 4.29, 3.78, 3.84, 3.67, and 3.74 with a standard deviation of 1.508, 1.496, 1.481, 1.019, 2.309, and 1.355 for an operator engaged in Retail and merchandise shop, Manufacturing, Construction, Services, Electronics & ICT maintenance, and urban agriculture respectively. Thus, it may be concluded that the Lack of persistence and courage to take responsibility for one's failure is the fourth factor that hinders the performance of micro and small enterprises engaged in the sectors. As opposed to this, the table shows that the Lack of information to exploit business opportunities is not a serious problem for operators engaged in Electronics & ICT maintenance sector. The disagreement on this factor is justified by the calculated means of 2.00 with standard deviations of 1.000 for operators engaged in the Electronics & ICT maintenance sector. Starting with a lack of motivation and drive has to do with the main reason(s) for the entrepreneur(s) establishing the business and the relationship of this with the performance of the firm (Enock N., 2010:39).

Source: SPSS Output

4.8 Regression Analysis

To determine the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated under. Table 4.17 below shows the correlations between the observed performance values and the best-fit linear combinations of the independent variables (political/legal factors, workspace, technology, infrastructure, marketing, finance, managerial and entrepreneurial factors). , indicating that it is 0.712 as indicated by multiple Rs. It is also given an R-squared value of 0.613 and an adjusted R-squared value of 0.551.The Unstandardized Coefficient B column displays the coefficients of the independent variables in the regression equation, including all predictor variables listed below. Management factors affected the performance of MSEs positively and significantly at a 5% level of significance. For a one-unit increase in improvement in working place, the performance of MSEs revealed through performance increases by 0.541 B value. This is because, the presence of a strategic business plan, trained and experienced employees, and effective communication are contributed to increase business performance ability. Also, the working place factor affected the performance of MSEs positively and significantly at a 5% level of significance. For a one-unit increase in improvement in working place, the performance of MSEs revealed through performance increases by 0.243 B value. The reason may be, the presence of own premises, convenient working place, low rate of house rent are contributed to increasing business performance ability.

Marketing factors affected the performance of MSEs positively and significantly at a 5% level of significance. For a one-unit increase in improvement on marketing issues, the performance of MSEs revealed through performance increases by 0.412 B value. This is because providing selling and display places to MSE's Working areas increases performance. Infrastructural factors affected the performance of MSEs positively and significantly at a 5% level of significance. For a one-unit increase in improvement on infrastructural issues, the performance of MSEs revealed through performance increase by 0.413 B value. The reason may be uninterrupted power, quick transportation access, sufficient and uninterrupted water, and appropriate road access increase business performance ability.

Lastly, the financial factor affected the performance of MSEs negatively and was significant at a 5% level of significance. For a one-unit increase in improvement on financial issues, the performance of MSEs revealed through performance decreases by 0.309 B value. The reason may be, the high-interest rate for credit, shortage of working capital, lack of cash management skills, and high collateral required for loans contributed to decreasing business performance ability. And also, the entrepreneurial factor affected the performance of MSEs negatively and was significant at a 5% level of significance. For a one-unit decrease in improvement on financial issues, the performance of MSEs revealed through performance decreases by .512 B value. The reason may be, a lack of motivation, lack of tolerance to work hard, lack of persistence and courage to take, and absence of initiative to assess one's strengths and weaknesses.

Table 4.18. Regress performance (as dependent variable) on the selected variables(as independent variables) using multiple regressions.

Coefficients						
Model		UnstandardizedCoefficients		Standardize d Coefficient s	T	*Sig.*
Variables		*B*	*Std. Error*	*Beta*		
Coefficients	(Constant)	5.135	1.114		4.004	.000
	infrastructural factors	.413	.113	.362	2.228	.002*
	Entrepreneurial factor	.512	.162	.403	1.314	.003*
	Marketing factor	.412	.125	.364	1.113	.004*
	Working place factor	.243	.131	.421	.314	.001*

	Technological factor	.658	.121	.521	3.411	.061
	Political factor	.431	.402	.315	.526	.072
	Management factor	.541	.162	.417	1.513	.000*
	Financial factor	.309	.364	.204	.849	.081

4.9 Model Summary

Table 4.19 model summary

	R	*R Square*	*Adjusted R Square*	*Model*
1	*.712[a]*	*.613*	.551	.504

a. Predictors: (Constant), financial factor, working place factor, entrepreneurial factor, technological factor, management factor, marketing factor, political factor, infrastructural factor.

5. CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The objective of the study is to assess Factors that affect the growth and sustainability of MSEs; six sectors from MSEs were included in the study. These are manufacturing, construction, retail and merchandise shop, urban agriculture, service, electronics, and ICT maintenance. In addition, the study uses a survey-based strategy to approach the objective, and a simple random sampling technique was used. The analysis was done using the statistical software SPSS using tools such as descriptive statistics and multiple linear regressions.

The descriptive statistics findings revealed that the most important external factors identified are working premises factors which include the rent of the house being too high, the absence of own premises, and the current working place is not convenient. The Infrastructural factors include Power interruptions, Lack of sufficient and quick transportation service, Insufficient and interrupted water supply, and Lack of appropriate roads. Technological factors include Unable to select proper technology, Lack of skills to handle new technology, Lack of appropriate machinery and equipment, and lack of money to acquire new technology. Marketing factors include Lack of demand forecasting, Lack of market information, inadequate market for my product, and Searching for new market is so difficult that hinders the business performance of all sectors. Management factors are the most internal which include Lack of strategic business planning, Lack of well-trained and experienced employees, Poor selection of associates in Business, Poor organization and ineffective communication, and Lack of clear division of duties and responsibility among employees. In addition, the major entrepreneurial factors include Lack of motivation, Absence of initiative to assess one's strengths and weakness, Lack of tolerance to work hard, Lack of persistence and courage to take responsibility for one's failure, and Lack of information to exploit business opportunities. This research also revealed that the majority of MSEs operators did not receive business development services and majorities could not be reached.

5.2 Conclusion

Own/personal/saved money is the primary source of open capital or funding for the majority of MSEs, followed by Ikub/Idir, Family, Friends, Relatives, Microfinance Institutions, Banks, and NGOs. Microfinance Institutions have failed to provide the MSEs with the credit they require. Because of the high-interest rate and collateral requirement, the majority of MSEs are forced to turn to unofficial lending organizations. However, the availability of credit from informal institutions is frequently insufficient to cover the MSEs' credit demands. Some of these challenges may be caused by the incapacity of several operators to satisfy the criteria of formal financial institutions, such as those for business plans, governance systems, and other accountability matters that are related to business risk.

This demonstrates that the operators under study mostly acquired funds through unofficial sources. Any firm's ability to operate effectively and sustainably depends on its business plan. But the majority of businesses were operating without a plan. The lack of own premises, the high rent on the house, and the inconvenience of the existing work location are the three most significant external issues related to working premises. Power interruptions, a lack of adequate and rapid transport, a poor and irregular water supply, and a lack of suitable roadways are some of the infrastructure-related concerns. The inability to choose the right technology, a lack of knowledge about how to use it, a lack of equipment and machinery that is appropriate, and a lack of funds for acquiring new technology are all technological issues. The success of businesses in all sectors is hampered by marketing variables such as poor demand forecasting, a lack of market data, an inadequate market for the product, and difficulty in finding new markets.

The most significant internal factor is management, which includes a lack of strategic business planning, a lack of knowledgeable and experienced staff, a poor choice of business partners, poor coordination and poor communication, and a lack of a clear division of responsibilities among employees. In addition, the major entrepreneurial factors include Lack of motivation, Absence of initiative to assess one's strengths and weakness, Lack of tolerance to work hard, Lack of persistence and courage to take responsibility for one's failure, and Lack of information to exploit business opportunities. This research also revealed that the majority of MSE operators did not receive business development services and majorities could not reach them. To support MSE operators MSE development office organized different business development training but failed to reach the majority. Finally, the

statistical test also shows that the existence of favorable MSE policy, access to finance, and access to working premises in support of appropriate business development service, and managerial and technical skills were enhance MSE enterprise growth.

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