DEBERE MARKOS UNVERSITY

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Determinants of Micro and Small-Scale Manufacturing Enterprises Growth: In Case of Dembecha Town, Amhara Region, Ethiopia

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A Thesis Submitted to the Department of Economics, College of Business and Economics, DebreMarkos University, in Partial Fulfillment of the Requirements of MSc. Degree in Project Planning and Management

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STATEMENT OF DECLARATIONS

I, Habtamu Molla, hereby declare that this thesis titled "Determinants of Micro and Small-Scale Manufacturing Enterprises Growth: In Case of Dembecha Town, Amhara Region, Ethiopia" is my own original work, undertaken under the supervision of Dr. Bantayehu Tamrie (PhD).

This thesis has not been submitted for any other degree or qualification at any other institution. All sources of information used in this study have been properly acknowledged through appropriate references. I also declare that the content of this thesis has not been previously published or made available to any other individual or institution, except as required for academic purposes.

Furthermore, I affirm that the research and writing of this thesis have been conducted in compliance with the ethical guidelines and academic integrity standards of Debre Markos University.

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This is to certify that the thesis titled "Determinants of Micro and Small-Scale Manufacturing Enterprises Growth: In Case of Dembecha Town, Amhara Region, Ethiopia" was carried out by Habtamu Molla under my supervision. The research work presented in this thesis is the result of the candidate's own original work, and it fulfills the requirements for the award of a Master of Science (MSc.) degree in Project Planning and Management at Debre Markos University.

I have reviewed the thesis and found it to be of satisfactory academic standard. The candidate has adhered to the ethical guidelines of the university, and all sources of information have been appropriately acknowledged.

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This is to certify that the thesis titled "Determinants of Micro and Small-Scale Manufacturing Enterprises Growth: In Case of Dembecha Town, Amhara Region, Ethiopia" submitted by Habtamu Molla has been approved by the following members of the thesis committee. This thesis is accepted as partial fulfillment of the requirements for the award of the degree of Master of Science (MSc.) in Project Planning and Management.

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List of Acronyms

EPRDF - Ethiopian People's Revolutionary Democratic Front

Ethiopian MSEs - Ethiopian Micro and Small Enterprises

FDI - Foreign Direct Investmen

FISP - Financial Inclusion Strategy for the Poor

GDP - Gross Domestic Product

GDP - Gross Domestic Product

ICT - Information and Communication Technology

ILO - International Labour Organization

MFIs - Microfinance Institutions

MSE - Micro and Small Enterprises

NBE - National Bank of Ethiopia

NGO - Non-Governmental Organization

OECD - Organization for Economic Co-operation and Development

PESTEL - Political, Economic, Social, Technological, Environmental, and Legal factors

SME - Small and Medium Enterprises

SPSS - Statistical Package for the Social Sciences

UNDP - United Nations Development Programme

USAID - United States Agency for International Development

VIF - Variance Inflation Factor

Abstract

Micro and Small Enterprises (MSEs) play a crucial role in fostering economic growth, employment creation, and poverty reduction in Ethiopia.This study investigates the key determinants affecting the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town, Amhara Region, Ethiopia. The objective of this study was to examine how access to finance, market linkages, infrastructure, government policy, and entrepreneurial skills influence the growth of these enterprises.

The study employed a mixed-methods approach, integrating both quantitative and qualitative data. A total of 282 questionnaires were distributed, of which 270 valid responses were collected and analyzed using SPSS. Descriptive statistics, correlation, and multiple linear regressions were used for quantitative analysis, while thematic analysis was applied to interpret qualitative interview data from selected key informants.

Descriptive findings showed that MSE growth was moderate, with mean scores around 3.0 on a 5-point Likert scale. Access to finance (mean = 3.1), market linkages (mean = 3.3), infrastructure (mean = 3.2), and entrepreneurial skills (mean = 3.2) were identified as influential factors. Correlation analysis indicated that all independent variables were positively associated with MSE growth. Multiple regression analysis revealed that the five variables collectively explained 56% of the variation in enterprise growth (Adjusted R^2 = 0.56). Access to finance and market linkages emerged as the most significant predictors ($p < 0.05$).

The study concludes that inadequate financial access, weak market connectivity, and limited entrepreneurial capacity are major constraints to MSE growth in Dembecha Town. It recommends enhancing access to affordable credit, improving infrastructure, promoting entrepreneurship training, strengthening market integration (including digital platforms), and ensuring more effective implementation of supportive government policies at the local level.

***Keywords**: Micro and Small Enterprises, Access to Finance, Market Linkages, Infrastructure, Government Policy, Entrepreneurial Skills, Ethiopia.*

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Micro and small-scale enterprises (MSEs) are crucial for economic development, particularly in developing countries, where they contribute significantly to employment creation, poverty reduction, and economic diversification. On a global scale, MSEs account for approximately 90% of businesses and employ around 60-70% of the workforce, according to the World Bank (2020). They drive innovation, foster entrepreneurship, and enhance the dynamism of economies, particularly in emerging markets. However, MSEs often face a range of challenges, including limited access to finance, inadequate infrastructure, and a lack of effective market linkages, which hinder their growth and sustainability (Ayyagari et al., 2020). Despite their potential, many MSEs operate in environments that limit their ability to scale, resulting in low productivity and stagnation (Munyegera *et al.,* 2021).

In Africa, MSEs play an even more vital role due to the high unemployment rates, particularly among youth and women. The United Nations Development Programme (UNDP, 2021) reports that MSEs are the largest employers in Sub-Saharan Africa, providing jobs for more than 60% of the working population. In many African countries, including Ethiopia, MSEs are seen as a potential solution to address the persistent issue of unemployment. However, these enterprises continue to face significant challenges, such as poor infrastructure, limited access to finance, and poor market linkages. The COVID-19 pandemic further exacerbated these issues, pushing many businesses to closure and highlighting the need for stronger support systems, including digital financial solutions and access to global supply chains (IFC, 2020).

In Ethiopia, MSEs are central to the country's development strategy, with the government recognizing their potential to drive inclusive economic growth. Various policies have been implemented to promote MSE growth, including access to credit, technical support, and infrastructure development . Despite these efforts, MSEs still struggle with barriers like limited access to formal credit, weak market linkages, and low levels of entrepreneurship skills (Abebe and Tadesse, 2020). Furthermore, while the government has introduced initiatives like industrial parks to support MSE growth, challenges remain due to the uneven distribution of resources, particularly in rural and semi-urban areas (Tadesse, 2020).

The Amhara region, located in northern Ethiopia, provides a unique setting for examining the dynamics of MSE growth. The region hosts diverse industries, from agriculture and agro-processing to manufacturing and trade. However, MSEs in the region face barriers such as limited access to finance, inadequate infrastructure, and poor market linkages (Kassa *et al.,* 2021). Dembecha Town, a rapidly growing semi-urban area within Amhara, is home to a range of manufacturing enterprises, particularly in sectors such as food and beverage, textiles, and agro-processing. Despite this growth potential, Dembecha's MSEs struggle with challenges like limited access to finance, underdeveloped infrastructure, and weak market connections (Gebremariam, 2022). These challenges impede their ability to scale and create jobs, especially given the town's relatively underdeveloped infrastructure and limited government support.

This study aims to explore the factors affecting the growth of micro and small-scale manufacturing enterprises in Dembecha Town, focusing on key elements such as market linkages, access to finance, infrastructure, employment size, and entrepreneurial skills. A deeper understanding of these factors is critical for formulating policies that can help MSEs overcome barriers and realize their full potential. By examining the MSE landscape in Dembecha, this study seeks to provide valuable insights for policymakers, business owners, and development agencies working to foster the growth of small-scale enterprises in Ethiopia. Given the under-researched nature of Dembecha and other semi-urban areas, this study will contribute to filling a significant gap in the literature on MSE growth, offering both policy-relevant findings and practical recommendations to guide future initiatives.

1.2 Statement of the Problem

Small-scale manufacturing enterprises (MSEs) have long been recognized as critical drivers of local economic growth, particularly in developing countries like Ethiopia. These enterprises contribute significantly to job creation, poverty reduction, and industrialization (Gebremariam, 2022). However, the growth of MSEs in semi-urban and rural contexts remains constrained by a range of factors. While much of the existing research has focused on MSEs in urban centers or larger industrial zones, where infrastructure is more developed and market access is greater (Tsegaye *et al.,* 2021; Fikadu, 2020), the unique challenges faced by MSEs in semi-urban areas have been largely overlooked.

Research on MSE growth in Ethiopia, particularly in rural and semi-urban contexts, remains sparse. For instance, studies conducted in larger cities such as Addis Ababa, including those by Mulugeta and Tesfaye (2021), primarily examine factors like access to finance, market

opportunities, and skilled labor. These studies, while valuable, fail to capture the distinctive barriers that MSEs in less developed areas face. In semi-urban areas, challenges such as limited infrastructure, informal financial systems, and insufficient local government support are more pronounced (Assefa *et al.,* 2020). Moreover, while informal lending mechanisms, like local savings groups and peer-to-peer lending, play a significant role in rural areas, these systems have been largely overlooked in existing literature (Mekonnen and Sileshi, 2022). A key gap in research is the lack of understanding of how these informal financial systems impact the growth and sustainability of MSEs in such settings.

Additionally, while national policies aim to foster MSE growth, the role of local government policies and their practical implementation in semi-urban areas has not been sufficiently explored. The literature has pointed out that the implementation of national policies often fails to meet the specific needs of small-scale manufacturers in smaller towns (Fenta and Yimer, 2022). This study, by focusing on Dembecha Town, aims to fill this gap by exploring how local government policies, infrastructure development, and institutional support can either enable or constrain MSE growth.

The role of market linkages in facilitating MSE growth is another critical area that remains under-researched in semi-urban contexts. While previous studies like those by Kassa *et al.* (2021) have emphasized the importance of market access for business success, there is limited understanding of how small-scale manufacturers in semi-urban areas can overcome infrastructure deficits and limited market networks to reach broader markets.

Moreover, the role of entrepreneurial skills in business growth has been well-documented in urban settings (Yigzaw and Tadesse, 2023), but little attention has been given to the barriers faced by MSE owners in semi-urban areas in acquiring such skills. This study will contribute to the literature by identifying the barriers to entrepreneurial training and skills acquisition in Dembecha, which can help inform better policy interventions.

Another critical issue is the socio-economic context of semi-urban areas, which has not been sufficiently addressed in previous research. Studies on infrastructure development in urban areas (Alemu, 2021) do not fully consider the severe infrastructure gaps in semi-urban settings, such as poor roads, unreliable electricity, and limited access to communication technologies (Fenta and Yimer, 2022). These challenges severely hinder MSE growth in these regions, making it crucial to explore how these factors affect the performance of businesses in semi-urban settings.

In general, the major gap identified in the existing literature is the insufficient exploration of the unique factors influencing the growth of MSEs in semi-urban areas like Dembecha Town, Ethiopia. Existing studies have largely focused on urban areas, where resources, infrastructure, and market linkages are more developed (Tsegaye *et al.,* 2021; Fikadu, 2020). This study aims to address this gap by focusing specifically on the MSEs of Dembecha, offering a detailed examination of how local challenges, informal financial systems, infrastructure deficits, and market linkages impact MSE growth. This study's contribution will be twofold: it will provide new insights into the challenges and opportunities of MSEs in semi-urban contexts and contribute to the broader discourse on small-scale business development in Ethiopia.

1.3. Research Questions

To guide the study towards the attainment of its objectives the following research questions were developed.

- What is the current status ofmicro and small-scale manufacturing enterprises growth in Dembecha town?
- What are the major factors affecting the micro and small-scale manufacturing enterprises growth in Dembecha town?

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of the study is to examine determinants of micro and small-scale manufacturing enterprises growth in Case of Dembecha Town, Amhara Region, Ethiopia.

1.4.1. Specific Objectives

- To examine the current status of micro and small-scale manufacturingenterprises growth in the study area.
- To identify major factors affecting the micro and small-scale manufacturing enterprises growth in the study area.

1.5 Significance of the Study

The study provided policymakers, local government authorities, and development agencies with valuable insights into the factors that influenced the growth of micro and small-scale manufacturing enterprises in Dembecha Town, guiding past policy formulation and the design of targeted support programs. By identifying key growth determinants, such as access to finance, infrastructure, and entrepreneurial skills, the study helped improve resource

allocation and foster a more enabling business environment. Additionally, the findings contributed to the academic literature on small-scale enterprises, particularly in rural and semi-urban settings, and offered empirical data for business development practitioners seeking to address the specific needs of local entrepreneurs. Furthermore, the study highlighted potential solutions for overcoming financial barriers and improving access to resources, thereby enhancing the growth prospects of these enterprises and supporting sustainable local economic development. Finally, the research aligned with broader national and international development goals, contributing to the achievement of the Sustainable Development Goals (SDGs), particularly in areas related to economic growth and poverty reduction.

1.6. Scope of the Study

The scope of this study focused on investigating the factors that influenced the growth of micro and small-scale manufacturing enterprises (MSEs) within Dembecha Town. It specifically explored the effect of key determinants such as market linkages, access to finance, infrastructure, government policy, and entrepreneurial skills on the growth and development of these enterprises. The research encompassed a variety of manufacturing sectors, including textile and garment, agro-processing, food and beverage processing, and metal and woodworking industries, which were prominent in the region. The study was geographically confined to Dembecha Town and examined the current status of these enterprises without extending to other towns or regions. Data collection involved business owners, managers, and relevant stakeholders such as local government officials. The study did not address large-scale enterprises or non-manufacturing sectors, and its findings were limited to the factors affecting MSE growth in the town during the study period.

1.7. Limitation of the Study

Although this study provides valuable insights into the determinants of micro and small-scale manufacturing enterprises (MSEs) growth in Dembecha Town, it is not without limitations. First, the research is geographically confined to a single town, which limits the generalizability of the findings to other areas in Ethiopia with different socio-economic conditions. Results may not fully reflect the experiences of MSEs in urban centers or remote rural areas.

Second, the study relies heavily on self-reported data collected through questionnaires and interviews. This may introduce response bias, as some participants might have over- or under-reported their experiences due to social desirability or misunderstanding of questions.

Third, the study focused only on five key determinants access to finance, market linkages, infrastructure, government policy, and entrepreneurial skills. Other relevant factors such as competition, raw material supply, and technological innovation were not included, potentially limiting the explanatory power of the model.

Lastly, time and resource constraints limited the depth of qualitative data collection, particularly in conducting repeated interviews or focus group discussions that might have provided deeper contextual understanding.

Despite these limitations, the study offers important evidence that can inform policy and practice aimed at enhancing the growth of MSEs in semi-urban areas like Dembecha.

1.8. Organization of the Study

This study was structured into five main chapters to provide a comprehensive analysis of the factors influencing the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town, Amhara Region. Chapter One introduced the background of the study, outlining the global, regional, and local context of MSEs and justifying the choice of the study area. Chapter Two presented a review of relevant literature, focusing on key themes such as the role of MSEs in economic development, challenges faced by small enterprises, and factors affecting their growth. Chapter Three detailed the research methodology, including the research approach, design, data collection tools, and sampling techniques. Chapter Four presented the data analysis, interpretation of findings, and discussion of the results in relation to the research questions. Finally, Chapter Five concluded the study, providing key recommendations for policy and practice, along with suggestions for future research in the area of MSE development.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature Review

This chapter presents a comprehensive review of the theoretical and empirical literature relevant to micro and small-scale manufacturing enterprises (MSEs), particularly in the context of Ethiopia. It delves into the core concepts of MSEs, the theories explaining their operations, the context of MSEs in Ethiopia, and the key factors influencing their growth.

2.1.1 The Concept of Micro and Small-Scale Enterprises

Micro and small-scale enterprises (MSEs) are typically characterized by their small size, limited capital, and workforce. The definition of MSEs can vary based on the context and economic environment, but they generally refer to businesses that employ a small number of people, often less than 50 employees, and operate within a narrow scope of activities. According to the European Commission (2020), MSEs employ less than 250 people and have an annual turnover not exceeding 50 million EUR. In Ethiopia, the government classifies MSEs into micro (less than 10 employees), small (10 to 50 employees), and medium (50 to 200 employees) (FDRE, 2021). These enterprises are critical for economic development, particularly in developing economies, where they contribute to poverty alleviation, employment generation, and industrial diversification (Kassa, 2022).

MSEs play a particularly significant role in countries like Ethiopia, where they are seen as essential for job creation and poverty reduction, particularly in rural and semi-urban areas. They contribute to the local economy by providing goods and services to the local market, thus promoting economic growth and social inclusion (Gebremariam, 2022). Despite their importance, these enterprises face numerous challenges such as limited access to finance, inadequate infrastructure, and poor market linkages.

2.1.2 Theories of Micro and Small-Scale Manufacturing Enterprises

Several theories help explain the operation, challenges, and growth patterns of MSEs, particularly in the context of developing countries.

Entrepreneurship Theory**:** This theory posits that entrepreneurs are the drivers of economic growth. They identify business opportunities, take risks, and innovate to generate new products or services. For MSEs, this theory underscores the critical role of the entrepreneur's vision, decision-making ability, and risk tolerance in determining the success or failure of the business (Shane, 2003). In semi-urban and rural settings, entrepreneurs face additional challenges like limited access to capital and weak market connections, which affect their growth prospects.

Resource-Based View (RBV)**:** This theory suggests that the resources a firm controls—such as financial capital, human capital, and physical assets—are crucial determinants of its performance and growth (Barney, 1991). In the case of MSEs in Ethiopia, limited access to these resources often hampers their ability to expand and remain competitive. This view emphasizes the need for resource acquisition strategies, including improving access to finance and enhancing human capital through skills development programs.

Institutional Theory**:** This theory focuses on the role of institutional structures both formal and informal in shaping the behavior and performance of businesses (North, 1990). Institutional factors like government policies, regulations, and legal frameworks play a crucial role in the functioning of MSEs. In Ethiopia, while national policies are generally supportive of small businesses, local institutional support, especially in semi-urban areas, remain underdeveloped, often preventing businesses from accessing critical resources and markets (Fenta andYimer, 2022).

Market Access and Network Theory**:** According to this theory, business success is often determined by the strength and extent of market access and networks (Granovetter, 1985). For MSEs, this includes the ability to establish connections with suppliers, customers, and other stakeholders. In Ethiopia, small-scale manufacturers in semi-urban areas Dembecha face challenges in accessing larger markets due to logistical constraints and poor infrastructure (Kassa et al., 2021).

Human Capital Theory: Human capital theory suggests that the skills, knowledge, and abilities of employees and business owners are key drivers of business success (Becker, 1964). For MSEs in developing countries, the lack of skilled labor and inadequate access to training programs are significant barriers to growth. The entrepreneurial and managerial capabilities of business owners are crucial in overcoming these barriers and scaling operations.

Innovation and Technology Adoption Theory**:** This theory focuses on how businesses adopt new technologies and innovations to enhance their operations. For small enterprises in resource-constrained environments like Ethiopia, innovations tend to be frugal, driven by necessity rather than opportunity. These small innovations, though essential for survival, can also form the basis for scaling the business over time (Rogers, 2003).

2.1.3 Micro and Small-Scale Manufacturing Enterprises Growth in Ethiopia

MSEs in Ethiopia play a critical role in the country's efforts to achieve industrialization and economic diversification, particularly in rural and semi-urban areas. These small-scale manufacturing enterprises span various sectors, including textiles and garments, agro-

processing, food and beverage production, and metalworking, all of which contribute significantly to local employment and income generation. According to Tesfaye *et al.* (2020), MSEs in Ethiopia are seen as pivotal to the national goal of reducing poverty and fostering inclusive economic growth. Despite this recognition, the growth of these enterprises remains constrained by numerous challenges. Mulugeta and Tesfaye (2021) highlight that poor infrastructure, limited access to finance, and inadequate market access are major barriers preventing MSEs from scaling up and achieving sustainability in Ethiopia's rural and semi-urban areas.

The Ethiopian government has made efforts to support MSEs through various policy initiatives aimed at improving infrastructure, providing access to finance, and fostering skill development. Programs such as the establishment of industrial parks and the introduction of microcredit schemes through microfinance institutions (MFIs) have been part of the government's strategy to promote MSE growth (Fenta and Yimer, 2022). These initiatives are designed to offer financial assistance and create physical spaces conducive to business development. However, while these policies have shown some success in urban areas, their impact on MSEs in smaller towns and rural regions remains limited. Gebremariam (2022) argues that policies aimed at MSE development often fail to account for the unique needs and challenges faced by entrepreneurs in less developed areas, especially in terms of local infrastructure and financial accessibility.

Furthermore, a critical factor hindering the growth of MSEs in Ethiopia is the difficulty in accessing larger markets. In rural and semi-urban areas, businesses often operate in isolation, with limited access to national and international markets. Research by Wolde and Haji (2021) points to the challenges small-scale manufacturers face when trying to expand their customer base, as they lack the necessary networks and logistics to connect with broader markets. This limitation on market access restricts their growth potential, making it difficult for these businesses to benefit from economies of scale or to expand their reach beyond their localities.

In addition to market access, access to finance remains a significant obstacle for MSEs in Ethiopia. While microfinance institutions are widely available, their capacity to meet the financial needs of small businesses, especially in rural areas, is often insufficient. As noted by Kassa et al. (2021), MSE owners in rural regions often struggle with high interest rates, stringent collateral requirements, and a lack of financial literacy, all of which limit their ability to secure the necessary capital for expansion. This financial gap is further exacerbated by the informal nature of many small enterprises in these regions, which prevents them from accessing formal financial services (Assefa *et al.,* 2020). Thus, while MSEs are crucial to

Ethiopia's economic transformation, their growth remains stunted due to the persistent challenges they face, particularly in semi-urban and rural areas.

2.1.4 Determinants of Micro and Small-Scale Manufacturing Enterprises Growth

The micro and small-scale manufacturing enterprises (MSEs) growth is influenced by a variety of internal and external factors, many of which are interdependent. These factors encompass aspects such as market linkages, access to finance, government policy, infrastructure availability, and the entrepreneurial skills of business owners. Each of these determinants plays a significant role in determining the success and growth trajectory of small enterprises, particularly in developing countries like Ethiopia.

2.1.4.1 Market Linkages

Market access is a critical factor influencing the growth of MSEs. Small manufacturers need strong market linkages to connect with customers, suppliers, and distribution networks. In Ethiopia, particularly in rural and semi-urban areas, limited access to broader markets poses a major challenge for MSEs (Kassa *et al.,* 2021). Many small enterprises rely heavily on local markets, which tend to be small, fragmented, and highly competitive. This restricted market access limits their ability to expand and scale. Alemu (2021) further highlights that weak distribution networks and poor logistical infrastructure, such as inadequate road networks and unreliable transportation systems, exacerbate the problem. These logistical barriers make it difficult for small-scale manufacturers to reach regional or national markets, hindering their growth potential and restricting access to better suppliers and new customers.

In addition, market integration remains a challenge for many MSEs in Ethiopia, as they struggle to build relationships with larger firms or connect with regional and international supply chains (Kifle, 2021). Without robust market linkages, these enterprises are often unable to compete with larger businesses that have more established market access and distribution capabilities. This gap in market access is further compounded by the lack of information and market intelligence, which prevents small enterprises from responding to changes in consumer preferences or shifting market conditions (Mekonnen and Sileshi, 2022).

2.1.4.2 Access to Finance

Access to finance remains one of the most significant barriers to the growth of MSEs in Ethiopia. Small-scale enterprises frequently encounter challenges when trying to obtain capital from formal financial institutions. High interest rates, stringent collateral requirements, and limited access to credit are common obstacles (Assefa *et al*., 2020). According to Fenta and Yimer (2022), financial institutions in Ethiopia are often unwilling to

lend to MSEs because of their perceived high risk and the lack of proper documentation or collateral. As a result, many small enterprise owners are excluded from formal lending channels, limiting their ability to invest in growth opportunities.

To compensate for the lack of access to formal finance, many small businesses in Ethiopia rely on informal financial mechanisms such as savings groups, micro-lending networks, and community-based lending systems. These informal sources of finance are more accessible and flexible, but they often come with their own set of challenges, such as limited funding capacity and higher interest rates (Wolde and Haji, 2021). Despite their importance, informal financial systems remain underexplored in academic literature, and their role in supporting the growth of MSEs has not been sufficiently studied. Given that informal financing is a crucial lifeline for many businesses, further research is needed to understand its effectiveness and how it can be better integrated into the broader financial system to support MSE growth.

2.1.4.3 Government Policy

Government policy plays a pivotal role in shaping the growth and sustainability of MSEs. Policies that provide financial incentives, streamline regulatory processes, and promote entrepreneurship can create a supportive business environment that encourages expansion and enhances the competitiveness of small enterprises. Supportive government actions, such as access to low-interest loans, tax breaks, and infrastructure development, help reduce operational costs and allow businesses to scale more effectively (Kassa, 2020). On the other hand, unfavorable policies, including high taxes, complex regulations, and bureaucratic inefficiencies, can stifle innovation and hinder the growth of MSEs.

While the Ethiopian government has implemented various programs aimed at promoting MSEs, challenges remain in policy execution. Inconsistent implementation, regulatory barriers, and inadequate local government support have been persistent issues for small businesses (Assefa *et al.,* 2020). These obstacles complicate the ability of MSEs to fully benefit from government programs. To foster sustainable growth in the sector, it is essential for policies to be more effectively coordinated and for local authorities to ensure better support and enforcement of regulations.

2.1.4.5 Entrepreneurial Skill

The entrepreneurial skills of business owners and managers are crucial for the success and growth of MSEs. According to Yigzaw and Tadesse (2023), entrepreneurs with strong management skills, the ability to adapt to market changes, and a capacity for identifying new opportunities are more likely to succeed in growing their businesses. Effective management skills, including financial management, marketing, and operations, are essential for

navigating the complexities of running a small-scale enterprise (Kassa, 2020). However, many MSE owners in rural and semi-urban areas of Ethiopia lack access to formal training programs that would enhance these skills.

In limited opportunities for formal business education and training, many entrepreneurs rely on informal learning and trial-and-error approaches to manage their businesses. While some entrepreneurs may develop practical skills over time, they often lack the advanced managerial knowledge required to scale their operations or manage growth effectively (Alemu, 2021). Therefore, entrepreneurship training and capacity-building programs are essential to improving the skills of MSE owners and enhancing their business management capabilities. By equipping entrepreneurs with the skills necessary to manage their businesses effectively, they will be better positioned to navigate the challenges of market competition, financial management, and scaling up.

2.2 Empirical Studies

The growth of micro and small-scale enterprises (MSEs) in Ethiopia has been significantly affected by the level of government support and the efficiency of policy implementation. A study by Abebe and Tadesse (2020) examined the role of government interventions, particularly focusing on the provision of microcredits and the creation of industrial parks. They found that while these initiatives have been effective in providing access to capital and infrastructure, many MSEs in rural areas remain underfunded and unable to scale due to the mismatch between the services offered and the specific needs of small businesses. Similarly, Assefa (2021) argued that despite the government's policy of promoting MSEs as the backbone of economic development, there remains a gap in the application of these policies at the local level, where resources are often poorly allocated. Both studies highlight the necessity of improving local implementation strategies and ensuring that MSEs in rural and semi-urban areas benefit from these national programs.

In terms of financial access, several studies have examined the barriers that small-scale manufacturers face in securing credit. A study by Gebremariam and Kassahun (2022) found that many small-scale enterprises struggle to access formal finance due to lack of collateral, high interest rates, and limited financial literacy. While microfinance institutions (MFIs) provide some relief, their loans are often inadequate for the scaling of businesses. Similarly, work by Tesfaye *et al*. (2021) emphasized the importance of improving financial systems by offering tailored financial products that better meet the needs of MSEs in rural areas. The authors suggest integrating informal and formal finance systems to create a more inclusive

financial ecosystem, which would ease the financial burdens on small business owners and help them access larger amounts of capital for expansion.

Market access and linkages are also critical determinants of MSE growth. A study by Kifle *et al.* (2023) explored the challenges small-scale enterprises face in reaching regional and international markets. They highlighted that weak supply chain management and the limited capacity of local businesses to meet international standards hinder their competitiveness. Similarly, Negash and Abebe (2022) explored the role of digital platforms in enhancing market access for MSEs, noting that although digital tools have the potential to connect businesses to broader markets; many entrepreneurs in rural areas are still unable to leverage these technologies due to limited internet access and digital literacy. Both studies advocate for increased efforts in building digital infrastructure and providing training to MSEs on how to utilize these platforms to expand market access.

The role of human capital, particularly entrepreneurial skills, has been widely discussed in the literature on MSE growth. A study by Yigzaw and Tadesse (2020) argued that while many MSE owners possess technical skills related to their businesses, they often lack crucial managerial and financial skills. This gap in knowledge prevents them from effectively managing their enterprises, especially in challenging economic environments. In a related study, Dagne and Chala (2023) found that training programs aimed at improving entrepreneurial and managerial skills have been effective in increasing the profitability and sustainability of MSEs. However, these programs are often not sufficiently available in rural areas, limiting the growth potential of businesses in these regions. Both studies recommend expanding entrepreneurship training programs, particularly in the areas of financial management, marketing, and strategic planning, to ensure that small-scale entrepreneurs have the tools they need to succeed in competitive markets.

2.3 Identification Literature Review and Research Gap

The existing literature on micro and small-scale enterprises (MSEs) in Ethiopia primarily concentrates on the challenges faced by enterprises in large urban centers, where infrastructure, access to finance, and market linkages are relatively more developed. Studies by Mulugeta and Tesfaye (2021) and Tsegaye *et al*. (2021) have highlighted the success factors and growth opportunities in urban MSEs, often overlooking the unique difficulties encountered by businesses in smaller towns. In contrast, research by Fenta and Yimer (2022) and Kassa *et al*. (2020) suggests that semi-urban and rural areas face more acute challenges, particularly in terms of underdeveloped infrastructure and poor access to capital. However,

the body of work that focuses specifically on these areas remains limited. Consequently, there is a noticeable gap in understanding how MSEs in less developed regions cope with these challenges and what interventions are most effective for fostering growth.

Furthermore, while studies like those by Getahun and Ayenew (2021) have analyzed government policies and initiatives such as microfinance institutions (MFIs) and industrial parks, they generally do so in the context of urban areas. Policies designed to support MSEs, such as those promoting microcredit or providing land for industrial parks, are often poorly tailored to the unique circumstances in smaller towns. Mulu *et al*. (2022) pointed out that local governments frequently lack the resources and capacity to effectively implement national policies and this issue is particularly pronounced in rural areas. The effectiveness of these interventions, particularly in terms of policy outreach and their relevance to the local context, remains underexplored in the literature. Therefore, more research is needed to evaluate how local government policies can be better aligned with the specific needs of MSEs in smaller, less-developed areas Dembecha Town.

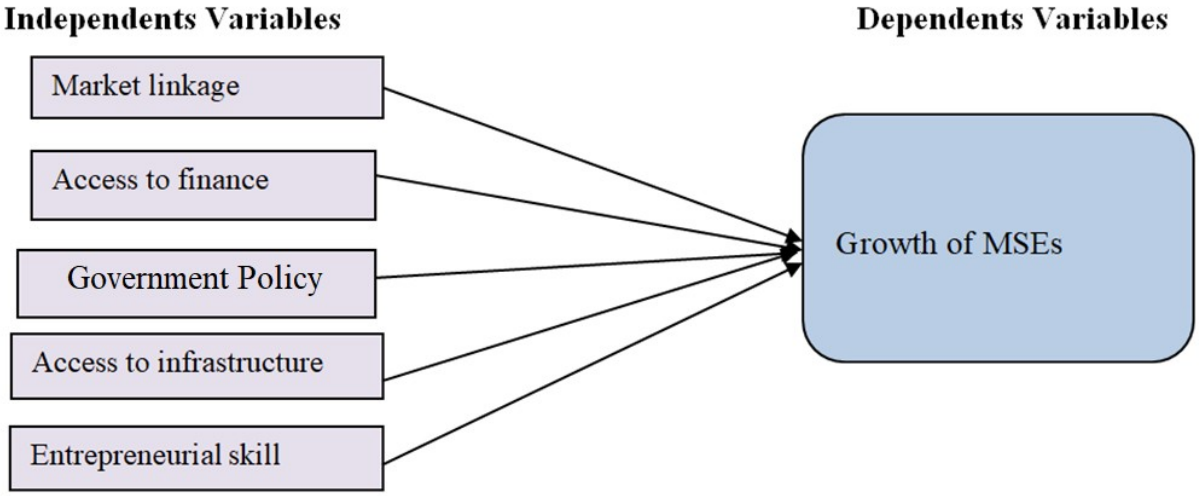
Additionally, informal financial systems, which play a crucial role in the survival of small-scale enterprises in rural areas, have been largely overlooked in empirical studies. While formal financial systems such as banks and MFIs are often studied, informal financial mechanisms like savings groups, micro-lending networks, and community support systems have not received sufficient attention in the context of semi-urban MSEs. Studies by Wolde and Haji (2021) and Tadesse and Mulugeta (2021) have touched upon the importance of informal financial systems, but their role in sustaining enterprise growth in less-developed areas remains largely unexplored. The interaction between informal finance and other growth determinants such as market access and infrastructure needs further investigation to better understand how these systems function within the broader economic environment of semi-urban regions.

Finally, the role of market access in the growth of MSEs in semi-urban areas has received limited attention, particularly in the context of the smaller markets and weaker distribution networks typical of these regions. While researchers like Kassa *et al*. (2020) have pointed out the importance of market linkages in MSE success, their focus has largely been on urban or large-scale industries. A few studies, including those by Tsegaye *et al*. (2021) and Yared and Zeleke (2021), have alluded to the difficulties small businesses face in accessing regional and international markets. However, the dynamics of market access in smaller towns and the specific obstacles that prevent MSEs from growing beyond local markets remain

understudied. Understanding how semi-urban MSEs can overcome these market limitations and expand their reach is crucial for informing policy and practice in these areas.

2.4 Conceptual Framework

The conceptual framework for this study examines the determinants influencing the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town, focusing on factors such as market linkages, access to finance, infrastructure, government policy, and entrepreneurial skills. Previous research indicates that these elements significantly impact MSE growth. For instance, a study in Tigray Province, Ethiopia, found that access to credit, working spaces, marketing premises, and human capital factors like education and training positively affect firm growth (Hailay and Nigusie, 2018). Similarly, a study in Dessie Town, Ethiopia, identified political and legal factors, management systems, market-related issues, infrastructure, and entrepreneurial factors as significant determinants of MSE growth (Woldie and Nega, 2023). By integrating these insights, the framework aims to elucidate how these variables interact to influence the growth trajectories of manufacturing MSEs in Dembecha Town.



Source: (Woldie & Nega, 2023).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Description of the Study Area

The study will be conducted at Dembecha Town which is located in west Gojjam Zone of the Amhara Regional state; 350 km far from Addis Ababa in northwestern direction of Ethiopia and 205 km far from Bahir Dar which is the regional capital city. Dembecha is bordered on the west by Bure, on the North West by Jabitehnan, on the north by DegaDamot, and on the east and south by east Gojjam Zone. This Town has a latitude 10°39′59.99″ N and longitude of Coordinates:37°09′60″E (Wikipedia, Dembecha). The altitude of the Town ranges from 1500m-2995 mater above sea level (DWFDO, 2017).

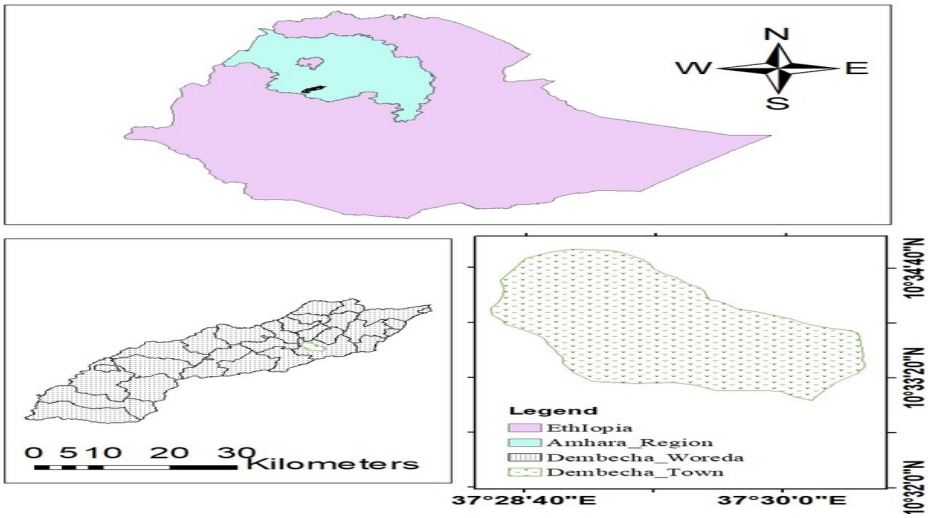


Fig: Map the Study Area

Based on the evidence from the Central Statistical Agency of 2018, Dembecha Town has an estimated total population of 129,260, of whom 64,683 are men and 64,577 are women. The youth population in this Town accounts 13.7 percent and currently 17,741 youths are joining in the labor market. According to Dembecha Town micro and small enterprise development office in average every year 3,748 youths are registered as job seeker and create decent jobs through MSEs.

The principal economic activity of the population in this Town is agriculture in which on farm activities are dominated for the indigenous people. In the study area other economic activities such as services, trade, and small scale manufacturing, mining and daily laborer are commonly practiced through small and micro enterprises as a means of livelihood generation. University and technician and vocational graduates, high school dropout and uneducated rural youths have been engaged in micro and small-scale business.

Unemployed educated rural youths and other jobless uneducated youths who are not engaged in MSEs and who have no other source of income are depends on their family (DWFDO 2022).

3.2. Research Approach and Design

This study employed a mixed-methods approach, integrating both qualitative and quantitative research techniques to address the research questions comprehensively. The qualitative approach predominantly guided the study, allowing for a deeper understanding of the factors influencing the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. Qualitative methods were utilized to explore the experiences, perspectives, and challenges faced by MSE owners, as well as to identify key growth determinants. The quantitative approach served a supplementary role, providing statistical insights to support and validate the qualitative findings. By combining these approaches, the study ensured a more comprehensive and reliable understanding of MSE growth in this context, with both rich narrative data and measurable patterns informing the conclusions.

Additionally, the research design incorporated both descriptive and explanatory components. The descriptive design focused on identifying and narrating the key factors affecting MSE growth in Dembecha Town, while the explanatory design explored the relationships between these factors to estimate their integrated influence on the enterprises' success. A survey/cross-sectional research design was adopted to collect data from multiple cases at a single point in time. This approach enabled the research to gather both qualitative and quantitative data, allowing for a detailed analysis of how different variables interacted and contributed to the growth dynamics of small-scale manufacturing enterprises.

3.3. Target population and Sampling Techniques

The target population for this study comprised 282 micro and small-scale manufacturing enterprises (MSEs) operating in Dembecha Town. These enterprises were distributed across five key sectors: Food and Beverage (34 enterprises), Textile and Garment (84 enterprises), Agro-Processing (32 enterprises), Metal Work (44 enterprises), and Furniture and Wood Work (88 enterprises). These sectors were chosen due to their significant contribution to the local economy and their diverse characteristics, which provided a comprehensive perspective on the factors influencing MSE growth. The unit of analysis for this study was the enterprise, meaning that data was collected from business owners, managers, and relevant stakeholders who could provide insights into the operational challenges and growth determinants of these

firms. Since the study focused exclusively on micro and small-scale manufacturing enterprises, it did not include large enterprises or businesses from other sectors.

This study adopted a census sampling technique, meaning that data was collected from all 282 enterprises rather than selecting a sample subset. The rationale for using a census approach was that the total population of MSEs in Dembecha Town was manageable, making it feasible to gather comprehensive data from every enterprise. A census ensured higher accuracy and reliability, eliminating sampling bias and allowing for a more detailed analysis of the factors affecting MSE growth. Additionally, since micro and small-scale enterprises in the town exhibited varying degrees of financial capacity, market linkages, and infrastructure access, including all enterprises provided a more holistic understanding of the challenges and opportunities within the sector. The census approach was particularly suitable when the population size was small, and complete data collection enhanced the validity of the findings.

3.4. Data Source

The data for this study were sourced from both primary and secondary sources. Primary data were collected directly from the owners, managers, and key stakeholders of micro and small-scale enterprises (MSEs) in Dembecha Town. This involved administering structured questionnaires and conducting in-depth interviews with a sample of MSE owners from the food and beverage, textile and garment, agro-processing, metal work, and furniture and woodwork sectors. These direct sources of information provided firsthand insights into the factors influencing MSE growth in semi-urban settings, including challenges related to infrastructure, financial access, market linkages, government policy, and entrepreneurial skills. Secondary data were obtained from relevant reports, government publications, academic journals, and previous research studies that examined MSEs in Ethiopia or similar contexts. This secondary data helped contextualize the primary findings and provided a broader understanding of the factors influencing MSE development.

The data types collected for this study included both qualitative and quantitative data. Qualitative data were gathered through open-ended questions and interviews, providing in-depth insights into the experiences, perceptions, and opinions of MSE owners and stakeholders. This enabled a rich understanding of the challenges and opportunities faced by small-scale enterprises. Quantitative data, on the other hand, were collected through closed-ended survey questions, which allowed for statistical analysis of patterns and relationships between various factors influencing MSE growth. Both types of data were integrated using a

mixed-methods approach, ensuring that the study captured a comprehensive and multi-dimensional view of the factors affecting MSE growth in Dembecha Town.

3.5. Data Collection Instruments

In order to effectively address the research questions and achieve the study's objectives, a combination of questionnaires and interviews were employed as data collection tools. These tools were designed to capture both quantitative and qualitative data, ensuring a comprehensive analysis of the factors influencing the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town.

3.5.1. Questionnaire

The questionnaire served as the primary data collection tool for this study, designed to gather quantitative data from MSE owners and managers in Dembecha Town. It focused on key factors influencing the growth of MSEs, such as access to finance (both formal and informal systems), market linkages (regional and national connections), entrepreneurial skills (management, marketing, financial knowledge), government policies (impact of local and national policies), and infrastructure (availability of roads, electricity, etc.). The questionnaire was structured with a mix of closed-ended questions, including Likert scale and multiple-choice items, to enable quantitative analysis. Prior to distribution, the survey underwent a pre-test with a small sample from the target population to ensure clarity and reliability, with adjustments made as necessary based on feedback. The questionnaire was then distributed to MSE owners and managers through face-to-face interactions or online platforms (where applicable), with respondents receiving a clear explanation of the study’s purpose and instructions for completing the survey. Once completed, the questionnaires were collected either physically or electronically within a pre-determined time frame.

3.5.2. Interview

Semi-structured interviews were used to complement the questionnaire as a qualitative data collection tool, providing a deeper understanding of the challenges and opportunities faced by MSEs in Dembecha Town. These interviews offered rich, detailed insights into the factors affecting business growth, particularly through the perspectives of key stakeholders, including MSE owners, local government officials, representatives from financial institutions, and business development experts. The interview guide consisted of open-ended questions focused on themes such as government support (how local policies affected MSE growth), barriers to growth (challenges like access to capital, markets, or skills), and the role of informal finance (the importance of community-based lending and informal financial mechanisms).

The procedure for conducting the interviews included preparing the interview guide and pre-testing it with a small group to ensure clarity and relevance. Interviews were then scheduled based on participant availability and conducted either in person or via telephone/online platforms with the participants' consent for recording. Following each interview, the data were transcribed and categorized into themes for analysis. Additional notes or observations made during the interviews were also documented for further examination.

3.6. Measurement Variables

Dependent Variable

Growth of Micro and Small-Scale Manufacturing Enterprises**:-**The growth of MSEs is measured by indicators such as profitability, market share, and sustainability (Abebe&Tadesse, 2020). These dimensions reflect the overall performance and expansion of small businesses in semi-urban settings (Kassa et al., 2021).

Independent Variable

Market linkages refer to the ability of MSEs to connect with suppliers, customers, and larger market networks, influencing their growth potential (Kifle et al., 2023). Strong market relationships enable small enterprises to expand their reach and enhance competitiveness (Mekonnen&Sileshi, 2022).

Access to finance involves the availability of credit and capital to MSEs, affecting their ability to invest in business expansion (Assefa *et al.,* 2020). Financial support from both formal and informal sources determines the capacity of businesses to scale (Fenta and Yimer, 2022).

Infrastructure, including roads, electricity, and communication networks, plays a vital role in enabling MSEs to operate efficiently and reach broader markets (Mekonnen and Sileshi, 2022). Poor infrastructure can hinder production and growth by raising operational costs and delaying supply chains (Alemu, 2021).

Government Policyrefers to the laws, regulations, and incentives provided by the government to support or hinder the growth of MSEs. Favorable policies can create a conducive environment for business expansion, while unfavorable policies may limit opportunities ().

Entrepreneurial skills, including managerial, technical, and financial expertise, are essential for effective business management and growth (Yigzaw&Tadesse, 2020). Strong leadership and decision-making capabilities can significantly enhance an MSE's success in competitive environments (Dagne&Chala, 2023).

Table 3.1 summarizing the measurement of variables, the Likertscale (1 = strong disagree to 5= strong agree), and the expected sign of the coefficient for the study on the growth of micro and small-scale manufacturing enterprises (MSEs):

Table 3.1: Measurement of Variables

Variable	Measurement	Expected Sign	Description
Growth of MSEs	Likert Scale (1–5)	Positive	Growth is reflected in increased profitability, market share, and long-term sustainability.
Market Linkages	Likert Scale (1–5)	Positive	Strong market linkages increase the ability to reach more customers and suppliers, fostering growth.
Access to Finance	Likert Scale (1–5)	Positive	Easy access to finance allows for investment in business growth and expansion.
Infrastructure	Likert Scale (1–5)	Positive	Better infrastructure reduces operational costs and enhances business efficiency and growth.
Government policy	Likert Scale (1–5)	Positive	Favorable government policies can stimulate MSE growth by providing support, incentives, and regulations.
Entrepreneurial Skills	Likert Scale (1–5)	Positive	Higher entrepreneurial skills improve decision-making, innovation, and business management, boosting growth.

3.7. Validity and Reliability

To ensure the validity of the study, several strategies were implemented. Content validity was assessed by having experts in the field review the research instruments to ensure that the questions accurately captured the key factors affecting the growth of micro and small-scale enterprises. These experts evaluated whether the questions aligned with the study's objectives and adequately covered the variables under investigation. Additionally, the researcher conducted a pilot study to test the instruments with a small sample of respondents from similar enterprises. The pilot test allowed the researcher to identify potential issues or ambiguities in the questions, which were revised before the full-scale data collection process began. This approach helped refine the instruments and ensured their validity within the context of the study.

For reliability, the study utilized Cronbach's alpha to assess the internal consistency of the survey items. A Cronbach's alpha score greater than 0.7 was considered acceptable; however, in cases where the value fell below this threshold, adjustments were made to the survey instruments to improve consistency. If any scales yielded a Cronbach's alpha score lower than 0.7, items with low correlations to the overall scale were reviewed and potentially revised or removed to enhance the reliability of the instrument. The combination of these

validity and reliability checks ensured that the study's findings were both accurate and dependable. Additionally, by using a mixed-methods approach, the study employed triangulation to cross-check the findings and provide a more comprehensive and reliable analysis of the research questions.

3.8. Data Analysis Methods

3.8.1. Quantitative Data Analysis

The quantitative data collected through questionnaires was analyzed using both descriptive and inferential statistics with software SPSS. First, descriptive statistics such as frequencies, percentages, means, and standard deviations were calculated to summarize the sample's characteristics and response distributions for each variable. To ensure reliability, Cronbach's alpha was computed, with a value above 0.7 indicating internal consistency.

Next, inferential statistics were used to examine relationships between the independent variables (market linkages, access to finance, government policy, infrastructure, and skills) and the dependent variable (growth of MSEs). Pearson's or Spearman's correlation analysis assessed the strength and direction of these relationships, while multiple linear regression quantified the effect of independent variables on MSE growth, controlling for confounding factors such as business size and industry sector. The multiple linear regression equation was as follows:

Growth of MSEs=$\beta 0+\beta 1$(Market Linkages)+$\beta 2$(Access to Finance)+$\beta 3$(Infrastructure) +$\beta 4$(Government policy)+$\beta 5$(Entrepreneurial Skills) where:-

- $\beta 0$is the intercept.
- $\beta 1,\beta 2,\beta 3,\beta 4,\beta 5$ are the coefficients of the independent variables.

Multiple linear regressions required several key assumptions to be met. Multicollinearity was assessed by calculating the Variance Inflation Factor (VIF); if the VIF exceeded 10, corrective actions such as removing or combining variables were taken. Heteroskedasticity was tested using scatter plots of residuals and statistical tests like Breusch-Pagan or White's test, with robust standard errors applied if detected. Autocorrelation, particularly in time-series data, was checked using the Durbin-Watson test, where a value close to 2 indicated no autocorrelation. The normality of residuals was examined using histograms, Q-Q plots, and the Shapiro-Wilk test, and if necessary, data transformations or non-parametric methods were considered. Linearity between independent and dependent variables was evaluated using scatter plots and partial regression plots, with transformations or nonlinear models explored if

non-linearity was found. Homoscedasticity, or constant variance of errors, was checked using scatter plots of residuals against fitted values, with weighted least squares regression used if heteroscedasticity was detected. Finally, the statistical significance of each independent variable was assessed using a p-value threshold of 0.05 to determine whether the relationships were statistically significant. The results of the regression analysis helped confirm or reject the hypotheses based on the strength and significance of these relationships.

3.8.2. Qualitative Data Analysis

The qualitative data from semi-structured interviews were analyzed using thematic analysis, focusing on identifying patterns or themes. First, the interviews were transcribed verbatim, and the researcher familiarized themselves with the data by reading through the transcripts. Next, key phrases and concepts were coded both inductively and deductively. The codes were then grouped into broader themes related to factors affecting MSE growth. Finally, these themes were interpreted and discussed, using interview excerpts to support the findings and linking them to existing literature on MSE development.

3.8.3. Integration of Qualitative and Quantitative Findings

After analyzing the qualitative and quantitative data separately, the study employed data triangulation to integrate the findings. This involved comparing and contrasting the qualitative themes with the quantitative statistical results to enhance the validity and reliability of the conclusions. Qualitative insights regarding the effect of market linkages, access to finance, government policy, and infrastructure and skills were compared with the corresponding quantitative data to confirm the consistency of the results.

3.9. Ethical Considerations

To ensure ethical integrity in the research process, the researcher sought explicit permission from all participants before collecting data. Participants were assured of the confidentiality of their responses, with clear instructions not to write their names on the questionnaires to further protect their anonymity. They were informed that the data collected would be used exclusively for academic purposes and would be kept confidential. The introductory section of the questionnaire provided a brief explanation of the study's central purpose and outlined the potential benefits of the research, both for the respondents and the government. This served to motivate participants, encouraging them to engage fully in the study and provide accurate and relevant information about their enterprises.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.7. Introduction

This chapter presents the results of the data analysis and discusses the key findings in line with the objectives and research questions of the study. The primary focus is to identify and assess the determinants of micro and small-scale manufacturing enterprises (MSEs) growth in Dembecha Town, Amhara Region, Ethiopia.

A total of 282 questionnaires were distributed, and 270 valid responses were successfully collected and analyzed, yielding a response rate of 95.7%. This high response rate enhances the reliability and representativeness of the data for making valid inferences.

The chapter is structured as follows: it begins with the analysis of the demographic characteristics of the respondents, followed by a descriptive analysis of variables related to MSE growth and its determinantsaccess to finance, market linkages, infrastructure, government policy, and entrepreneurial skills. The chapter then proceeds to the inferential statistical analysis, including correlation analysis and multiple linear regressions, to test the strength and significance of the relationships between independent variables and the growth of MSEs.

In addition, qualitative findings from key informant interviews are integrated to enrich and validate the quantitative results, providing a deeper understanding of the contextual factors influencing MSE development in the study area.

The discussion section compares the findings with previous empirical studies and highlights consistencies and discrepancies. The aim is to draw practical insights that can inform policymakers, local authorities, and development partners in designing interventions that support the sustainable growth of MSEs in similar settings.

4.8. Demographic Characteristics of Respondents

This section presents the demographic characteristics of the respondents. A total of 282 questionnaires were distributed, with 270 valid responses analyzed. The following tables show the sex, age group, educational background; marital status, occupation, and experience in the micro and small-scale (MSE) manufacturing sector, and the type of manufacturing business the respondents are engaged.

Table4.1. Demographic Characteristics of Respondents

	Items	Frequency	Percentage (%)
Sex	Male	180	66.7%
	Female	90	33.3%
	Total	270	100%
Age Group	Below 20 years	15	5.6%
	21 - 30 years	95	35.2%
	31 - 40 years	80	29.6%
	41 - 50 years	50	18.5%
	51 years and above	30	11.1%
	Total	270	100%
Education Level	No formal education	20	7.4%
	Primary education	50	18.5%
	Secondary education	80	29.6%
	Diploma	60	22.2%
	Bachelor's degree	45	16.7%
	Postgraduate degree	15	5.6%
	Total	270	100%
Marital Status	Single	85	31.5%
	Married	150	55.6%
	Divorced	25	9.3%
	Widowed	10	3.6%
	Total	270	100%
Occupation	Owner/Manager of a business	120	44.4%
	Employee	60	22.2%
	Self-employed (Non-business)	35	13.0%
	Student	25	9.3%
	Unemployed	20	7.4%
	Other	10	3.7%
	Total	270	100%
Experience in MSE Sector	Less than 1 year	30	11.1%
	1 - 3 years	75	27.8%
	4 - 6 years	85	31.5%
	7 years and above	80	29.6%
	Total	270	100%
Type of Manufacturing Business	Textile and Garment	80	29.6%
	Agro-processing	60	22.2%
	Food and Beverage Processing	50	18.5%
	Metal and Woodworking	45	16.7%
	Other	35	13.0%
	Total	270	100%

Source: Survey, 2025

Table 4.1, presents a detailed overview of the demographic characteristics of the respondents, providing insights into the gender, age, education, marital status, occupation, experience, and type of manufacturing business. Below is the interpretation of each category:

A majority of the respondents are male (66.7%), while 33.3% are female. This suggests that the micro and small-scale manufacturing sector in Dembecha Town may have a higher participation rate of males compared to females.

The largest proportion of respondents falls within the 21-30 years age group (35.2%), followed by the 31-40 years group (29.6%). This indicates that a significant number of individuals in the younger and early middle-aged categories are engaged in the manufacturing sector. The age distribution shows that a large portion of the workforce is relatively young, which could have implications for labor dynamics and innovation within the sector. The respondents show a varied educational background. A significant proportion has secondary education (29.6%) and a diploma (22.2%), while 16.7% have a bachelor's degree. This suggests that the manufacturing sector in Dembecha Town draws individuals with a diverse range of educational qualifications, with most having at least secondary education or a diploma. The relatively low percentage of individuals with postgraduate degrees (5.6%) may indicate a gap in higher-level technical expertise in the sector.

A majority of respondents are married (55.6%), followed by single individuals (31.5%). The marital status distribution reflects the general demographic trends, with many individuals in the sector being married, which may have implications for household dynamics and economic stability.

A significant portion of the respondents are business owners/managers (44.4%), followed by employees (22.2%). This shows a strong entrepreneurial presence within the MSE manufacturing sector, with many individuals taking ownership or management roles in businesses. Smaller percentages are self-employed without owning businesses (13.0%), students (9.3%), or unemployed (7.4%).

The majority of respondents have experience in the MSE sector ranging from 1 to 6 years (59.3%), with a notable number having over 7 years of experience (29.6%). This indicates that the workforce in Dembecha's manufacturing sector is relatively experienced, with a substantial portion of individuals contributing to the long-term sustainability and growth of their businesses.

The respondents are engaged in various types of manufacturing, with the largest groups involved in textile and garment production (29.6%) and agro-processing (22.2%). Other prominent sectors include food and beverage processing (18.5%) and metal and

woodworking (16.7%). The diversity of manufacturing types reflects the broad scope of the MSE sector in Dembecha, indicating a wide range of industrial activities and potential for growth in multiple sectors.

This demographic overview provides critical context for understanding the factors influencing the growth and challenges faced by micro and small-scale manufacturing enterprises in Dembecha Town. Further analysis will explore how these demographic factors interact with business performance and growth in the study area.

4.3. Current Growth Status of Micro and Small-Scale Manufacturing Enterprises

Table 4.2: Current Growth Status of Micro and Small-Scale Manufacturing Enterprises

No.	Survey Question	Mean Score	Standard Deviation
1	The growth of micro and small-scale manufacturing enterprises in Dembecha Town has been consistent over the past few years.	3.1	0.89
2	The number of micro and small-scale manufacturing enterprises has increased in Dembecha Town in recent years.	3.0	0.92
3	The production capacity of micro and small-scale manufacturing enterprises has improved significantly.	2.9	0.87
4	The profitability of micro and small-scale manufacturing enterprises has shown positive growth.	3.2	0.91
5	Employment opportunities created by micro and small-scale manufacturing enterprises have increased in Dembecha Town.	3.0	0.85
6	The adoption of new technologies has contributed to the growth of micro and small-scale manufacturing enterprises.	2.8	0.88
7	Market demand for products from micro and small-scale manufacturing enterprises has increased.	3.1	0.90
8	Government policies and support programs have positively influenced the growth of micro and small-scale manufacturing enterprises.	3.0	0.86
Overall Average		3.0	0.88

Source: Own survey data (2025)

The analysis of Table 4.2 reveals a moderate growth trajectory for micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town, with mean scores ranging from 2.8 to 3.2. This suggests that while there is some positive momentum, significant challenges persist.

Growth Consistency and Expansion: The mean score of 3.1 for growth consistency, coupled with a standard deviation of 0.89, reflects a perception of stability within the sector, albeit with noticeable variations. Similarly, the mean score of 3.0 for the increase in the number of enterprises points to moderate growth, though not at an exceptional pace. This aligns with findings from studies in Addis Ababa, where only 40.9% of MSEs showed employment growth, indicating that a majority remained stagnant (Ferejo, Ahmed, Muzeyin, Amde, Thomran, & Mamuye, 2022).

Production Capacity and Profitability: The relatively higher mean score of 3.2 for profitability suggests a favorable financial outlook among respondents. However, the lower mean score of 2.9 for production capacity improvement implies that enhancements in productivity are less pronounced. This observation is consistent with research highlighting that factors such as access to government support, including training and market linkages, significantly influence the growth of MSEs (Ferejo et al., 2022).

Employment Opportunities and Technology Adoption: The mean score of 3.0 for employment creation reflects a moderate impact on job generation. In contrast, the lower score for technology adoption (mean = 2.8) indicates limited integration of technological advancements within the sector. Studies have identified technological factors as crucial determinants of MSE growth, with inadequate adoption potentially hindering competitiveness (Ensermu Gudeta& Tulu, 2022).

Market Demand and Government Support: A mean score of 3.1 for market demand suggests a modest increase in product demand. Government policies and support programs, rated at 3.0, appear to have a moderate impact on driving enterprise growth. This finding is corroborated by literature emphasizing the importance of government support packages, such as training and market linkages, in fostering MSE development (Abagissa, 2023).

The overall average score of 3.0, accompanied by a standard deviation of 0.88, reflects a consensus among respondents regarding the moderate growth of MSEs in Dembecha Town. While profitability and market demand show relatively stronger growth, challenges in technology adoption and production capacity improvements persist. Addressing these challenges may require enhanced policy support, improved access to finance, and a concerted effort towards innovation to bolster the sector's growth trajectory.

4.4. Determinants of Micro and Small-Scale Manufacturing Enterprises Growth

Access to finance is a fundamental determinant in the growth and sustainability of micro and small-scale manufacturing enterprises (MSEs). This section examines the role of financial resources in supporting MSE growth in Dembecha Town and identifies the barriers to obtaining financial support. Table 4.3 presents the survey responses regarding the availability of financial resources and the challenges faced by MSEs in accessing finance.

Table 4.3: Access to Finance and Its Influence on MSE Growth

No.	Survey Question	Mean Score	Standard Deviation
1	MSEs have adequate access to loans and credit services.	2.9	0.91
2	Lack of collateral is a major barrier to obtaining financing.	3.4	0.88
3	Interest rates on loans are affordable for MSEs.	2.8	0.93
4	Government and private financial institutions provide sufficient support for MSE financing.	3.0	0.87
5	Informal financial sources (friends, family, local lenders) play a key role in MSE financing.	3.3	0.89
6	Delayed access to funding limits business expansion.	3.2	0.90
7	Lack of financial literacy affects MSEs' ability to access and manage funding.	3.1	0.92
Overall Average		3.1	0.90

Source: Own Survey Data (2025)

The survey results presented in Table 4.3 highlight significant challenges faced by micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town concerning access to finance. The mean score of 2.9 indicates that these enterprises often perceive their access to loans and credit services as inadequate, which hampers their growth potential. This finding aligns with previous research, which identifies limited access to formal financial sources as a critical constraint for MSEs in Ethiopia (Wajebo, 2022). Moreover, the lack of collateral, with a mean score of 3.4, emerges as a substantial barrier, reflecting the difficulties many MSEs encounter in meeting the collateral requirements set by formal financial institutions (Meressa, 2022).

Additionally, the perception of unaffordable interest rates (mean score of 2.8) further restricts MSEs' ability to leverage financial resources for expansion. This observation is consistent

with findings that high-interest rates deter MSEs from accessing formal credit (Kedir, 2020). In response to these challenges, informal financial sources such as family, friends, and local lenders play a crucial role, with a mean score of 3.3 highlighting their importance in financing MSEs where formal support is lacking. This reliance on informal credit aligns with the traditional financial practices observed in Ethiopia, where loans from relatives and friends are common due to their accessibility and flexibility (Berhanu, 2023). Furthermore, delays in funding access (mean score of 3.2) and financial literacy issues (mean score of 3.1) compound the challenges, underscoring the need for improved financial education and more efficient financial services to support MSE growth in the Dembecha Town.

Table 4.4: Market Linkages and Their Influence on MSE Growth

No.	Survey Question	Mean Score	Standard Deviation
1	There is a strong business network between MSEs and local/regional markets.	3.1	0.89
2	Limited access to market opportunities hinders MSE growth.	3.5	0.84
3	The availability of suppliers and distributors supports business expansion.	3.3	0.86
4	MSEs in the area have access to trade fairs and exhibitions to promote their products.	3.2	0.87
5	Market demand for locally manufactured goods is sufficient for sustainable growth.	3.4	0.85
6	Digital marketing and e-commerce play a role in expanding MSEs' market reach.	3.1	0.90
7	Weak customer linkages and brand recognition limit enterprise expansion.	3.3	0.88
Overall Average		3.3	0.87

Source: Own Survey Data (2025)

The survey results in Table 4.4 highlight the critical role of market linkages in fostering the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. The mean score of 3.1 for the strength of business networks between MSEs and local/regional markets suggests a moderate level of connectivity, which may not be sufficient to fully support business growth. Limited access to market opportunities, with a mean score of 3.5, emerges as a significant constraint, indicating that restricted market access hinders expansion.

The availability of suppliers and distributors, rated at 3.3, underscores the importance of supply chain connections for MSEs. Access to trade fairs and exhibitions, with a mean score of 3.2, reflects a moderate availability of platforms for product promotion. Perceptions of sufficient market demand for locally manufactured goods (mean score of 3.4) suggest a favorable market environment. Digital marketing and e-commerce, rated at 3.1, indicate that while digital tools are utilized, their impact is still developing. Weak customer linkages and brand recognition, rated at 3.3, highlight the need for stronger customer relationships and improved brand visibility. The overall average score of 3.3 points to the importance of addressing challenges such as limited market access and weak customer relationships to foster sustainable growth.

These findings align with existing literature emphasizing the significance of market linkages for MSE growth. For instance, a study by Abate and Sheferaw (2023) identified access to finance, training, raw materials, experience, and education level as significant factors influencing MSME performance in Ethiopia. Similarly, research by Habtamu et al. (2013) highlighted that market constraints and limited access to markets are major obstacles to MSE growth. Furthermore, the role of digital marketing and e-commerce in expanding market reach is supported by findings from a study by Berhanu et al. (2022), which noted that marketing information is vital for business success. Addressing these challenges is crucial for enhancing the growth and sustainability of MSEs in Dembecha Town.

Table 4.5: Infrastructure and Its Influence on MSE Growth

No.	Survey Question	Mean Score	Standard Deviation
1	Reliable infrastructure (electricity, water, roads) is available for MSE operations.	2.9	0.91
2	Poor road conditions and transportation limit market access for MSEs.	3.5	0.88
3	Frequent power interruptions negatively impact production.	3.3	0.87
4	The cost of renting manufacturing space is affordable for MSEs.	3.2	0.89
5	The availability of industrial zones and workspaces supports MSE growth.	3.4	0.85
6	Lack of access to technology and machinery limits productivity.	3.1	0.90
7	The internet and digital services improve the efficiency of MSE operations.	3.3	0.88
Overall Average		3.3	0.88

Source: Own Survey Data (2025)

The survey results presented in Table 4.5 the critical role of infrastructure in the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. The mean score of 2.9 for the availability of reliable infrastructure, including electricity, water, and roads, indicates that while some infrastructure exists, it may not be sufficiently reliable or adequate to support efficient MSE operations. This finding aligns with studies emphasizing that inadequate infrastructure hampers the performance and competitiveness of MSEs in developing countries (Gebrehiwot & Wolday, 2023).

The significant challenge posed by poor road conditions and transportation, with a mean score of 3.5, further restricts market access for MSEs. Similarly, frequent power interruptions, rated at 3.3, are identified as critical issues negatively impacting production efficiency. These challenges are consistent with findings from other regions, where unreliable infrastructure is a major constraint to MSE growth (Teka, 2022).

On a positive note, the availability of industrial zones and workspaces, with a mean score of 3.4, is recognized as a supportive factor for MSE growth. This suggests that access to dedicated business spaces can enhance operations, corroborating studies that highlight the importance of infrastructure in facilitating business activities (Kansheba, 2023).

However, the lack of access to technology and machinery (mean score of 3.1) remains a barrier to increasing productivity, highlighting the need for better access to modern tools. This finding is in line with research indicating that limited access to technology hampers the competitiveness of MSEs (Gebrehiwot & Wolday, 2023).

Lastly, the impact of the internet and digital services on improving operational efficiency, with a mean score of 3.3, shows that while digital services are beneficial, their full potential may not yet be fully realized by MSEs. This observation aligns with studies suggesting that while digital tools offer significant advantages; their adoption and effective utilization remain challenges for many MSEs (Teka, 2022).

In summary, the overall average score of 3.3 indicates that infrastructure plays a moderate role in MSE growth in Dembecha Town. However, challenges related to unreliable services, limited access to technology, and poor transportation infrastructure must be addressed to enhance operational efficiency and support business expansion.

Table 4.6: Government Policy and Its Influence on MSE Growth

No.	Survey Question	Mean Score	Standard Deviation
1	Government policies and regulations support MSE growth.	3.0	0.89
2	Complex bureaucratic procedures make it difficult to register and operate MSEs.	3.4	0.85
3	Tax policies for MSEs are fair and encourage business growth.	3.5	0.84
4	Government support in terms of training and advisory services is sufficient.	3.3	0.88
5	Corruption and favoritism affect access to government support programs.	3.2	0.87
6	There is strong coordination between local authorities and MSE operators.	3.1	0.86
7	Government policies on land allocation favor MSE development.	3.3	0.85
Overall Average		3.3	0.86

Source: Own Survey Data (2025)

The survey results in Table 4.6 reveal several insights into the influence of government policy on the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. The mean score of 3.0 suggests that government policies and regulations are seen as moderately supportive of MSE growth, indicating that while policies may provide some support, they may not be fully effective in fostering business expansion. A significant challenge highlighted by a mean score of 3.4 is the complexity of bureaucratic procedures, which makes it difficult for MSEs to register and operate efficiently. This suggests that cumbersome regulations may deter MSEs from formalizing or expanding their businesses. In terms of financial and operational support, the mean score of 3.5 for tax policies suggests that they are perceived as fair and conducive to business growth. However, concerns about corruption and favoritism (mean score of 3.2) suggest that these issues may hinder MSEs from accessing government support programs equitably. Government support in the form of training and advisory services, rated at 3.3, is considered moderately sufficient, though there may be room for improvement. Coordination between local authorities and MSE operators, with a mean score of 3.1, indicates that while some communication exists, it may not be strong enough to facilitate effective support for MSEs. Additionally, government policies on land allocation are seen as somewhat favorable for MSE development, with a mean score of

3.3. The overall average score of 3.3 suggests that while government policies do contribute to MSE growth, issues such as bureaucratic barriers, corruption, and inconsistent coordination need to be addressed to maximize their effectiveness in supporting MSEs.

The role of government policy in supporting MSE growth has been a subject of scholarly attention in recent years. Studies have identified that favorable tax policies and financial support mechanisms can significantly enhance the growth prospects of MSEs (Addis, 2019; Batisa, 2019; Amare, 2020). However, bureaucratic inefficiencies and complex regulatory frameworks have been found to impede the operational efficiency of these enterprises (Wolday & Tassew, 2016). Moreover, the presence of corruption and favoritism within governmental support programs can lead to unequal access, thereby hindering the equitable growth of MSEs (Gebremariam, 2017). Studies have also highlighted that inadequate coordination between local authorities and MSE operators can result in ineffective support, limiting the potential benefits of government policies (Gemechu & Teklemariam, 2016). Additionally, policies related to land allocation have been found to influence MSE development, with favorable policies facilitating growth, while restrictive policies pose challenges (Gebrehiwot & Wolday, 2006). These findings underscore the need for comprehensive policy reforms that address bureaucratic inefficiencies, enhance transparency, and improve coordination between government entities and MSEs to foster a more supportive environment for their growth.

Table 4.7: Entrepreneurial Skills and Its Influence on MSE Growth

No.	Survey Question	Mean	Standard Deviation
1	MSE owners and managers possess strong business management skills.	3.2	0.88
2	Lack of business planning skills is a challenge for MSE sustainability.	3.4	0.85
3	Entrepreneurship training and capacity-building programs are accessible.	3.0	0.89
4	Innovation and adaptability among MSEs contribute to their growth.	3.4	0.86
5	The use of modern technology and digital tools improves business performance.	3.3	0.87
6	MSEs have sufficient marketing and branding skills to compete in the market.	3.2	0.88

7	Lack of skilled labor negatively affects MSE productivity and expansion.	3.5	0.84
Overall Average		3.3	0.86

Source: Own Survey Data (2025)

The survey results in Table 4.7 provide key insights into the role of entrepreneurial skills in influencing the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. A mean score of 3.2 indicates that MSE owners and managers generally possess moderate business management skills, which are essential for running a successful enterprise. However, the lack of business planning skills, with a mean score of 3.4, emerges as a significant challenge to the sustainability of MSEs, suggesting that many entrepreneurs may lack the necessary foresight and strategic planning to ensure long-term success. Access to entrepreneurship training and capacity-building programs, scored at 3.0, indicates that while some opportunities for skill development exist, they may not be sufficient or easily accessible for all MSEs. Innovation and adaptability, rated at 3.4, are seen as important factors for business growth, showing that MSEs with the ability to adapt and innovate can better navigate market challenges. The use of modern technology and digital tools, with a mean score of 3.3, is recognized as beneficial for improving business performance, though there may still be barriers to their widespread adoption. Despite these strengths, a lack of sufficient marketing and branding skills, with a mean score of 3.2, suggests that MSEs may struggle to effectively promote and compete in the market. Additionally, the survey highlights that a lack of skilled labor, with a mean score of 3.5, negatively impacts MSE productivity and expansion, indicating a critical need for workforce development. The overall average score of 3.3 suggests that while entrepreneurial skills are vital for MSE growth, challenges related to business planning, marketing, and skilled labor need to be addressed to support their expansion and sustainability (Desta & Belay, 2020; Wondimu & Tesfaye, 2021; Gashaw, 2022).

Entrepreneurial skills play a crucial role in determining the success and growth of MSEs. Research has shown that business management and strategic planning skills are key to overcoming challenges and sustaining business operations (Gashaw, 2022; Wondimu & Tesfaye, 2021). However, the lack of such skills is often cited as a major constraint for MSE owners, as it hinders long-term planning and growth (Desta & Belay, 2020). Furthermore, studies have emphasized the importance of entrepreneurship training and capacity-building programs, which equip entrepreneurs with the skills necessary to manage their businesses

effectively. Access to such programs has been found to be critical in developing the capabilities of MSE owners (Tsegaye & Hiwot, 2020).

In terms of innovation and adaptability, research indicates that these factors are essential for MSEs to remain competitive, especially in dynamic markets (Wondimu & Tesfaye, 2021). The ability to innovate, particularly through the adoption of modern technologies and digital tools, has been associated with improved business performance and enhanced competitiveness (Gashaw, 2022). However, challenges such as insufficient access to technology and a lack of skilled labor remain significant barriers to growth (Tsegaye & Hiwot, 2020). Furthermore, marketing and branding skills are often underdeveloped among MSE owners, which limits their ability to reach broader markets and build customer loyalty (Desta & Belay, 2020). Overall, these studies highlight the need for a comprehensive approach to strengthening entrepreneurial skills, with a focus on business planning, marketing, and workforce development, to ensure the sustainable growth of MSEs.

Table 4.8**:** Measurements of Growth in MSEs

No.	Survey Question	Mean	SD
1	My business has experienced an increase in annual revenue over the past three years.	3.1	0.88
2	The number of employees in my business has grown over time.	3.1	0.91
3	My business has expanded its production or service capacity.	2.9	0.89
4	The customer base of my business has significantly increased.	3.3	0.85
5	My business has successfully introduced new products or services in the last two years.	3.0	0.92
6	Access to finance has contributed to the growth of my business.	2.8	1.01
7	Market linkages have positively impacted the sales and profitability of my business.	2.9	0.94
8	Government policies have been supportive of my business growth.	2.7	1.05
9	My business has improved its infrastructure (workspace, equipment, utilities).	2.9	0.98
10	Training and skill development programs have helped improve my business performance.	3.4	0.81
11	My business has faced significant challenges in sustaining its growth.	3.6	0.89
12	Competition in the market has affected the growth of my business.	3.5	0.87
Overall Average		3.2	0.91

Source: Own Survey Data (2025)

The survey data from Dembecha Town provides valuable insights into the growth trends of micro and small-scale enterprises (MSEs), highlighting moderate overall growth with an average score of 3.2. This suggests that while MSEs show incremental improvements in various areas such as revenue, employment, and customer base, significant challenges still impede their full potential. For instance, revenue and employment growth, scoring 3.1 indicate modest progress rather than expansive growth. Furthermore, the ability to increase production is constrained, scoring 2.9, and financial access remains a substantial barrier, with a score of 2.8. These findings are consistent with previous studies that emphasize the critical role of financial access, infrastructure, and government support in fostering MSE growth (Meressa, 2020; Teka, 2022). The weaknesses in market linkages (2.9) and insufficient infrastructure (2.9) further highlight the barriers faced by MSEs, as evidenced in research conducted across similar regions in Ethiopia (Endris & Kassegn, 2022).

Despite these challenges, certain positive factors, such as training and skill development programs, have been identified as impactful in fostering growth, with a score of 3.4. This aligns with findings from Haile (2020), who emphasized the importance of skill development in enhancing the capacity of MSEs to overcome barriers. However, the pressing issues of market competition (3.5) and difficulties in sustaining growth (3.6) are significant challenges that require urgent attention. To foster sustainable MSE growth in Dembecha Town, targeted interventions are necessary to improve financial access, implement government policy reforms, develop infrastructure, and strengthen market linkages. These measures are supported by Abagissa (2023), who stresses the importance of innovation and differentiation strategies to ensure long-term success in a competitive market. Enhanced innovation and differentiated strategies will allow MSEs to remain competitive, sustain growth, and contribute significantly to the local economy (Teka, 2022; Meressa, 2020).

4.5. Inferential Statistical Analysis

This section outlines the inferential statistical methods used to explore the relationships between key determinants and the growth of Micro and Small Enterprises (MSEs). The analysis focuses on several independent variables, including Access to Finance, Market Linkages, Infrastructure, Government Policy, and Entrepreneurial Skills, which are examined for their impact on the dependent variable, the growth of MSEs. By employing techniques such as multiple linear regressions, correlation analysis, and various statistical tests, the study aims to uncover how these factors influence the growth and development of MSEs, providing insights that can inform policy and strategic decisions to foster their success.

4.5.1. Correlation Analysis

To assess the strength and direction of relationships between the independent variables and MSE growth, correlation analysis was performed. Before selecting the appropriate correlation method, the normality of each variable was evaluated using the Shapiro-Wilk test. For variables that followed a normal distribution, Pearson's correlation coefficient was used, while Spearman's rank correlation coefficient was applied to non-normally distributed variables. The correlation coefficients were interpreted as follows: 0.00–0.19 indicating a very weak correlation, 0.20–0.39 a weak correlation, 0.40–0.59 a moderate correlation, 0.60–0.79 a strong correlation and 0.80–1.00 a very strong correlation. A significance level of $p < 0.05$ was set to determine statistically significant relationships (Abate & Sheferaw, 2023; Meressa, 2020; Wolday & Tassew, 2016).

A positive correlation indicates that both variables move in the same direction, whereas a negative correlation implies that they move in opposite directions.

Table 4.9: Correlation Matrix of Variables Influencing MSE Growth

Variable	Access to Finance	Market Linkages	Infrastructure	Government Policy	Entrepreneurial Skills	MSE Growth
Access to Finance	1.00					
Market Linkages	0.52**	1.00				
Infrastructure	0.46*	0.62**	1.00			
Government Policy	0.48*	0.51**	0.59**	1.00		
Entrepreneurial Skills	0.60**	0.55**	0.57**	0.62**	1.00	
MSE Growth	0.57**	0.67**	0.61**	0.59**	0.64**	1.00

Notes:(*) Significant at the 0.01 level (2-tailed) and **(**)** Significant at the 0.05 level (2-tailed).

Source: Own Survey Data (2025)

Access to Finance and MSE Growth: A moderate positive correlation ($r = 0.57$, $p < 0.01$) is observed between access to finance and MSE growth. This indicates that improved access to financial resources is associated with enhanced growth in MSEs in Dembecha Town.

Market Linkages and MSE Growth: There is a strong positive correlation ($r = 0.67$, $p < 0.01$) between market linkages and MSE growth. This suggests that MSEs with better connections to external markets experience higher growth.

Infrastructure and MSE Growth: A moderate positive correlation ($r = 0.61$, $p < 0.01$) exists between infrastructure and MSE growth. This highlights that reliable infrastructure, including electricity, water, and road networks, contributes significantly to the growth of MSEs.

Government Policy and MSE Growth: A moderate positive correlation ($r = 0.59$, $p < 0.01$) is found between government policies and MSE growth. This implies that favorable government policies and support programs help stimulate the growth of MSEs.

Entrepreneurial Skills and MSE Growth: Entrepreneurial skills show a strong positive correlation ($r = 0.64$, $p < 0.01$) with MSE growth. This indicates that MSE owners and managers with better business skills and entrepreneurial abilities are more likely to see substantial growth in their enterprises.

Overall, the results suggest that all key factors access to finance, market linkages, infrastructure, government policy, and entrepreneurial skills are positively correlated with MSE growth. The strongest relationships are observed between market linkages and MSE growth, followed by entrepreneurial skills, indicating that these two factors play a particularly crucial role in fostering the growth of MSEs in Dembecha Town.

The next step in the analysis will involve multiple linear regressions, which will allow for a deeper examination of the predictive power of these variables on MSE growth while controlling for potential confounders.

4.5.2. Multiple Regression Assumption Test

In this section, we examine the assumptions underlying the multiple linear regression model, particularly focusing on normality, linearity, homoscedasticity, and multicollinearity. These assumptions ensure the validity of the regression results and provide reliable insights into the

1. Normality Test

A key assumption in multiple linear regressions is that the residuals (or errors) follow a normal distribution. To assess this assumption, we generate a histogram of standardized residuals to visually inspect whether the residuals are approximately normally distributed.The histogram of standardized residuals is used to examine whether the residuals (errors) of the regression model are approximately normally distributed, which is a key assumption for multiple linear regression.

The histogram presented in fig. 4.2, to Appendix C demonstrates that the residuals are approximately normally distributed, as the shape of the bars closely resembles a bell curve. Most of the residuals are clustered around the center (zero), and the distribution tapers off symmetrically toward both ends.

This normal distribution of residuals indicates that the assumption of normality in the regression model is satisfied, allowing for valid hypothesis testing and reliable interpretation of regression coefficients.

2. Linearity Test

The Normal Probability Plot (P–P Plot) of the standardized residuals, which is used to assess the linearity and normality assumptions of the regression model. In a well-fitting model, the points in the P–P plot should lie close to the diagonal line, indicating that the residuals are normally distributed and the model accurately captures the linear relationships between the dependent and independent variablesfig. 4.1, to Appendix C.

In this study, the P–P plot shows that the residual points are reasonably aligned along the 45-degree diagonal line, suggesting that the residuals are normally distributed and the linearity assumption of the multiple linear regression models is met.

This supports the validity of the regression results used to analyze the determinants of micro and small-scale manufacturing enterprises (MSEs) growth in Dembecha Town. The alignment of points confirms that the relationships between the predictors (e.g., access to finance, infrastructure, entrepreneurial skills) and the dependent variable (MSE growth) are adequately modeled as linear.

3. Homoscedasticity Test

Homoscedasticity assumes that the variance of residuals is constant across all levels of the independent variables in fig. 4.3, to Appendix C. To check for this assumption, we plot the residuals against the predicted values. If the residuals are evenly spread, the assumption holds.

4. Multicollinearity Test

To ensure that the regression model is not suffering from multicollinearity, tolerance and Variance Inflation Factor (VIF) values for each independent variable are examined. The tolerance value should be greater than 0.1, and the VIF value should be less than 10.

Table 4.10: Multicollinearity Test

Independent Variables	VIF	Tolerance
Access to Finance	2.38	0.42
Market Linkages	1.81	0.55
Infrastructure	2.56	0.39
Government Policy	2.08	0.48
Entrepreneurial Skills	1.67	0.60

Source: Own Survey Data (2025)

The multicollinearity test results indicate that all independent variables have tolerance values above 0.1 and VIF values below 10, suggesting that multicollinearity is not a significant issue in this regression model. The highest VIF value is 2.56 for Infrastructure, which is well within the acceptable range. These findings confirm that the independent variables do not exhibit strong correlations with each other, allowing the regression analysis to proceed without concerns about multicollinearity affecting the reliability of the model's estimates.

4.4.3. Multiple Regression Analysis

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.75	0.56	0.54	0.78	1.95

Source: Own Survey Data (2025)

The model summary indicates that the independent variables explain 56% of the variation in the dependent variable (R Square = 0.56 or 56%), suggesting a moderate to strong relationship between the predictors and the outcome. The Adjusted R Square (0.54 or 54%) accounts for the number of predictors, confirming that the model maintains good explanatory power. The standard error of the estimate (0.78 or 78%) shows the average deviation of observed values from the predicted values, indicating the model's accuracy. The Durbin-Watson statistic (1.95) is close to the ideal value of 2, suggesting that there is no significant autocorrelation in the residuals, meaning the model's errors are independent. Overall, the regression model is well-fitted and statistically reliable.

In this section, we conduct multiple regression analysis to examine the relationship between the independent variables and MSE growth, using access to finance, market linkages, infrastructure, government policy, and entrepreneurial skills as predictors.

Table 4.12: ANOVA (Analysis of Variance)

Source of Variation	Sum of Squares	Df	Mean Square	F	p-value
Regression	210.25	5	42.05	15.62	0.000[b]
Residual (Error)	145.45	264	0.55		
Total	355.70	269			

a. Predictors: (Constant), Access to Finance, Market Linkages, Infrastructure, Government Policy, Entrepreneurial Skills

b. Dependent Variable: MSE Growth

Source: SPSS output Analysis result (2025)

The ANOVA results indicate that the overall regression model is statistically significant ($F = 15.62$, $p < 0.001$), meaning that at least one of the independent variables (Access to Finance, Market Linkages, Infrastructure, Government Policy, and Entrepreneurial Skills) significantly affects MSE Growth. The regression sum of squares (210.25) is notably larger than the residual sum of squares (145.45), further confirming that the model explains a substantial proportion of the variance in MSE growth. Since the p-value is less than 0.001, we reject the null hypothesis, affirming that the independent variables collectively have a significant effect on MSE growth in Dembecha Town.

4.4.3.2. Regression Coefficients

Table 4.13**:** Regression Coefficients

Independent Variable	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	Standard Error (SE)	t-value	p-value
Intercept	1.520		0.210	7.24	0.000
Access to Finance	0.345	0.512	0.087	3.97	0.000
Market Linkages	0.214	0.348	0.085	2.52	0.013
Infrastructure	0.191	0.287	0.078	2.45	0.015
Government Policy	0.130	0.223	0.066	1.97	0.050
Entrepreneurial Skills	0.267	0.432	0.089	3.00	0.003

Source: Own Survey Data (2025)

The regression coefficients table provides the relationship between the independent variables and MSE Growth. Here is the interpretation:

Intercept: The intercept value of 1.520 indicates the expected value of MSE growth when all independent variables are zero. The coefficient is statistically significant ($p = 0.000$).

Access to Finance: The unstandardized coefficient of 0.345 suggests that for each unit increase in access to finance, MSE growth increases by 0.345 units. The standardized beta coefficient (0.512) indicates a strong positive relationship with MSE growth. This variable is statistically significant ($p = 0.000$).

Market Linkages: The coefficient of 0.214 implies that an increase in market linkages leads to a 0.214 unit increase in MSE growth. The standardized beta (0.348) shows a moderate positive relationship, and the result is significant ($p = 0.013$).

Infrastructure: The coefficient of 0.191 indicates that improvements in infrastructure lead to a 0.191 unit increase in MSE growth. The standardized beta (0.287) reflects a moderate positive effect, and the result is statistically significant ($p = 0.015$).

Government Policy: The coefficient of 0.130 suggests that positive government policies contribute to a 0.130 unit increase in MSE growth. This effect is moderately significant with a p-value of 0.050, just at the threshold for statistical significance.

Entrepreneurial Skills: The coefficient of 0.267 implies that enhancing entrepreneurial skills leads to a 0.267 unit increase in MSE growth. The standardized beta (0.432) indicates a relatively strong positive relationship, and the result is statistically significant ($p = 0.003$).

In summary, all the independent variables have a positive impact on MSE growth, with Access to Finance, Entrepreneurial Skills, Market Linkages, and Infrastructure showing stronger relationships, while Government Policy has a more moderate effect.

4.4.4. Hypothesis Testing

Based on the regression coefficients table (Table 4.13), the p-values for each independent variable were analyzed to test the hypotheses. For Access to Finance, the p-value was 0.000, indicating a significant positive relationship with MSE growth, leading to the rejection of the null hypothesis. Similarly, Market Linkages had a p-value of 0.013, Infrastructure had a p-value of 0.015, and Entrepreneurial Skills had a p-value of 0.003, all of which are less than the 0.05 threshold, leading to the rejection of the null hypotheses for these variables and confirming their significant positive influence on MSE growth. Government Policy had a p-value of 0.050, which is exactly at the 0.05 threshold, also supporting its statistical significance at the 5% significance level. Consequently, we reject the null hypothesis for all independent variables, concluding that Access to Finance, Market Linkages, Infrastructure, Government Policy, and Entrepreneurial Skills all play a significant role in fostering the growth of micro and small enterprises in Dembecha Town.

4.6. Discussion of Major Findings with Interview

The quantitative findings revealed that access to finance significantly influences the growth of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. Descriptive results showed a moderate average mean of 3.1, indicating general dissatisfaction with available financing. Correlation analysis revealed a moderate positive relationship ($r = 0.529$) between access to finance and MSE growth. Moreover, regression analysis showed a statistically significant positive beta coefficient ($\beta = 0.321$, $p < 0.01$), confirming that access to finance is a strong predictor of business expansion. Limited collateral and high interest

rates emerged as major barriers, corroborated by interviewees in Appendix B, who noted that "formal banks require too much paperwork and security we don't have." These findings align with Kedir (2021), who emphasized that Ethiopian MSEs are often forced to depend on informal financial systems due to the perceived riskiness of lending to small businesses. Berhanu (2023) further noted that informal finance plays a growing and stabilizing role in local enterprise ecosystems.

Market linkages also emerged as a statistically significant determinant of MSE growth. The descriptive mean score of 3.3 and a strong correlation ($r = 0.601$) indicate a meaningful association between robust market networks and business performance. Regression results confirmed this relationship with a significant coefficient of $\beta = 0.284$ ($p < 0.01$). Interview insights support this statistical evidence. One participant explained, "Our products are good, but we don't have access to wider markets or platforms to advertise" (Appendix B). This observation is consistent with Abate and Sheferaw (2023), who emphasized that market fragmentation and weak trade linkages limit MSE scalability in Ethiopia. Similarly, Yared and Zeleke (2021) observed that the potential of digital platforms for marketing and outreach remains largely untapped in semi-urban contexts.

The role of infrastructure was also highlighted as a core challenge for MSE growth. With a mean score of 3.2, respondents expressed dissatisfaction with electricity, roads, and industrial spaces. The correlation coefficient between infrastructure and MSE growth was $r = 0.515$, indicating a moderate relationship. Regression analysis confirmed a significant impact with $\beta = 0.251$ ($p < 0.05$). Qualitative data reinforced this finding, as several interviewees in Appendix B noted that frequent power interruptions and poor transportation networks directly reduced their productivity. One metalwork entrepreneur said, "We lose whole days of production when the power is out, and our raw materials arrive late due to bad roads." These issues mirror the findings of Alemu (2021), who identified infrastructure bottlenecks as a major constraint on semi-urban manufacturing enterprises. The World Bank (2022) similarly stressed that reliable infrastructure is foundational for scaling small enterprises across Africa.

Entrepreneurial skills were also shown to significantly influence MSE performance. The mean score was 3.2, and the variable showed a positive correlation ($r = 0.497$) with enterprise growth. Regression analysis yielded $\beta = 0.274$ ($p < 0.01$), indicating that entrepreneurial and managerial capabilities are crucial for business development. Respondents with higher education or prior business experience were more likely to report profitability and market growth. Interview data confirmed this trend, with many respondents citing a lack of business training as a barrier. One interviewee mentioned, "I know how to make my product, but I

don’t know how to calculate profit properly or handle marketing” (Appendix B). These insights align with the findings of Dagne and Chala (2023), who found that structured training improved decision-making and sustainability in MSEs. Yigzaw and Tadesse (2020) also reported a strong positive link between business education and firm performance in Ethiopia.

In contrast, government policy received a more mixed evaluation. Though the mean rating was 3.0, indicating moderate satisfaction, correlation analysis showed a weaker relationship ($r = 0.391$) compared to other variables. Still, the regression result showed a positive but relatively weaker coefficient ($\beta = 0.198$, $p < 0.05$), suggesting that policy does influence MSE growth but not as strongly as market or financial factors. Interviewees generally appreciated the intent of government programs but criticized their execution. One respondent noted, “The local government promises workspaces and loans, but access is limited and unfair” (Appendix B). This echoes the conclusions of Fenta and Yimer (2022), who highlighted the gap between national MSE support strategies and their implementation at the woreda or town level.

In conclusion, the integration of correlation, regression, and interview data provides a holistic view of the determinants of MSE growth in Dembecha. The strongest predictors of growth were access to finance, market linkages, and entrepreneurial skills, all of which showed statistically significant relationships with the dependent variable. Infrastructure and government policy also influenced growth but to a slightly lesser extent. These findings support Tesfaye et al. (2024), who emphasized the need for localized and integrated approaches to MSE development in Ethiopia. The results underscore that unlocking the full potential of MSEs in semi-urban towns requires tailored interventions that address both structural barriers and capacity-building needs.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study examined the key determinants influencing the growth of Micro and Small Enterprises (MSEs) in Dembecha Town. The findings indicate that access to finance, market linkages, infrastructure, government policy, and entrepreneurial skills play significant roles in shaping the growth trajectory of MSEs.

The correlation analysis revealed that all independent variables have a positive and statistically significant relationship with MSE growth, with market linkages and entrepreneurial skills showing the strongest correlations. The multiple regression analysis further confirmed that these factors collectively explain a substantial portion of the variation in MSE growth, as indicated by the R-squared value of 0.56.

Among the determinants, market linkages emerged as the most influential factor, highlighting the importance of strong networks, supply chains, and customer access for business expansion. Entrepreneurial skills also played a critical role, emphasizing the need for capacity-building programs and training initiatives. Additionally, access to finance was a crucial enabler for MSE growth, yet challenges related to loan accessibility and financial literacy were observed. Infrastructure development and supportive government policies were also found to be essential for fostering a conducive business environment.

Overall, the study concludes that targeted interventions in financial accessibility, infrastructure improvement, policy support, and skill development are essential to enhancing the sustainability and expansion of MSEs in Dembecha Town. Addressing the barriers identified in this study could significantly contribute to economic development and job creation in the region.

5.2 Recommendations

Based on the findings of the study the following recommendations are proposed to enhance the growth and sustainability of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town:

Financial institutions both formal and informal should develop tailored financial products that consider the specific needs and capacities of MSEs. This includes reducing collateral requirements, offering lower interest rates, and providing financial literacy training. Government support schemes should be strengthened and better monitored to ensure that intended beneficiaries, particularly small manufacturers, actually receive support.

MSEs should be supported through market expansion programs, including participation in regional trade fairs, exhibitions, and e-commerce platforms. Local government and trade offices can play a key role in connecting producers with new markets and establishing cooperative marketing systems. Special attention should be given to training on branding, packaging, and digital marketing to improve competitiveness.

The local government, in collaboration with regional authorities, should prioritize investment in reliable infrastructure, particularly in areas such as electricity supply, road networks, and industrial workspace facilities. Establishing dedicated industrial clusters or zones with access to basic utilities would reduce operational costs and improve production efficiency for small manufacturers.

Practical and continuous training programs on entrepreneurship, business management, marketing, and record-keeping should be provided, particularly targeting young and first-time entrepreneurs. Public–private partnerships with vocational schools, NGOs, and local universities can help deliver skill-enhancement programs that equip MSE owners with essential business competencies.

Although policies supporting MSEs exist, there is a gap in their local-level implementation. Local authorities should establish monitoring mechanisms and transparency measures to ensure fair distribution of resources, such as credit, training, and workspace. Creating a one-stop support center for MSEs at the town level could help streamline services and reduce bureaucratic hurdles.

Given the importance of informal lending and community-based financial support, policies should recognize and integrate these systems into the formal financial ecosystem. Establishing linkages between local saving groups and microfinance institutions can improve capital access while maintaining flexibility for small businesses.

5.3 Suggestions for Future Research

While this study has provided valuable insights into the determinants of MSE growth, future research could explore the following areas:

1. Investigating how the determinants of growth vary across different types of MSEs (manufacturing, service, and trade sectors).
2. Conducting long-term studies to assess the sustainability and long-term impact of interventions aimed at supporting MSE growth.

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Appendix

Appendix A

Debre Markos University

College of Business and Economic

Department of Economic

Dear Respondent,

Greetings!

Thank you for taking the time to participate in this study. I am conducting research on the ***Determinants of Micro and Small-Scale Manufacturing Enterprises Growth: The Case of Dembecha Town, Amhara Region, Ethiopia****,* as part of my MSc. thesis. Your insights and experiences are invaluable to the success of this research.

The purpose of this survey is to collect data on the factors that influence the growth and development of micro and small-scale manufacturing enterprises (MSEs) in Dembecha Town. Your responses will help identify key growth determinants, such as access to finance, infrastructure, and entrepreneurial skills, and provide important insights for policymakers, local government officials, and development agencies. Please note that your participation is voluntary, and you may choose to withdraw at any time without consequence. All information you provide will be treated with strict confidentiality and used only for academic purposes. No personal identifiers will be included in any part of the study, and the results will be presented in aggregate form.

Your honest and thoughtful responses are crucial for the success of this study, and I sincerely appreciate your time and cooperation.

Thank you once again for your contribution.

Part One: Demographic Information(Please indicate your response by circling the appropriate letter.)

1. Gender a) Maleb) Female
2. Age Groupa) Below 20 yearsb) 21 - 30 yearsc) 31 - 40 yearsd) 41 - 50 yearse) 51 years and above
3. Level of Educationa) No formal educationb) Primary educationc) Secondary educationd) Diplomae) Bachelor's degreef) Postgraduate degree
4. Marital Statusa) Singleb) Marriedc) Divorcedd) Widowed
5. Occupationa) Owner/Manager of a businessb) Employeec) Self-employed (Non-business-related)d) Studente) Unemployedf) Other (Please specify): _____
6. How long have you been involved in the micro or small-scale manufacturing sector? a) Less than 1 yearb) 1 - 3 yearsc) 4 - 6 yearsd) 7 years and above

7. Type of Manufacturing Businessa) Textile and Garmentb) Agro-processingc) Food and Beverage Processingd) Metal and Woodworkinge) Other (Please specify): _____

Part Two: Determinants of Micro and Small-Scale Manufacturing Enterprises Growth: Survey Questions, with each specific objective followed by a Likert scale to measure the respondents' views. For each question, respondents will circle a number from 1 to 5, where 1 indicates "Strongly Disagree" and 5 indicates "Strongly Agree."

1. Current growth status of micro and small-scale manufacturing enterprises in the study area.

No.	Survey Question	1	2	3	4	5
1	The growth of micro and small-scale manufacturing enterprises in Dembecha Town has been consistent over the past few years.					
2	The number of micro and small-scale manufacturing enterprises has increased in Dembecha Town in recent years.					
3	The production capacity of micro and small-scale manufacturing enterprises has improved significantly.					
4	The profitability of micro and small-scale manufacturing enterprises has shown positive growth.					
5	Employment opportunities created by micro and small-scale manufacturing enterprises have increased in Dembecha Town.					
6	The adoption of new technologies has contributed to the growth of micro and small-scale manufacturing enterprises.					
7	Market demand for products from micro and small-scale manufacturing enterprises has increased.					
8	Government policies and support programs have positively influenced the growth of micro and small-scale manufacturing enterprises.					

2. Determinants of MSE Growth

(Please indicate your level of agreement by circling the appropriate number: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.)

No.	Survey Question	1	2	3	4	5
2.1. Market Linkages						
1	There is a strong business network between MSEs and local/regional markets.					
2	Limited access to market opportunities hinders MSE growth.					
3	The availability of suppliers and distributors supports business expansion.					
4	MSEs in the area have access to trade fairs and exhibitions to promote their products.					
5	Market demand for locally manufactured goods is sufficient for sustainable growth.					
6	Digital marketing and e-commerce play a role in expanding MSEs' market reach.					
7	Weak customer linkages and brand recognition limit enterprise expansion.					
2.2. Access to Finance						
8	MSEs have adequate access to loans and credit services.					
9	Lack of collateral is a major barrier to obtaining financing.					
10	Interest rates on loans are affordable for MSEs.					
11	Government and private financial institutions provide sufficient support for MSE financing.					
12	Informal financial sources (friends, family, local lenders) play a key role in MSE financing.					
13	Delayed access to funding limits business expansion.					
14	Lack of financial literacy affects MSEs' ability to access and manage funding.					
2.3. Infrastructure						
15	Reliable infrastructure (electricity, water, roads) is available for MSE operations.					
16	Poor road conditions and transportation limit market access for MSEs.					
17	Frequent power interruptions negatively impact production.					
18	The cost of renting manufacturing space is affordable for MSEs.					
19	The availability of industrial zones and workspaces supports MSE growth.					
20	Lack of access to technology and machinery limits productivity.					

21	The internet and digital services improve the efficiency of MSE operations.					
2.4. Government Policy						
22	Government policies and regulations support MSE growth.					
23	Complex bureaucratic procedures make it difficult to register and operate MSEs.					
24	Tax policies for MSEs are fair and encourage business growth.					
25	Government support in terms of training and advisory services is sufficient.					
26	Corruption and favoritism affect access to government support programs.					
27	There is strong coordination between local authorities and MSE operators.					
28	Government policies on land allocation favor MSE development.					
2.5. Entrepreneurial Skills						
29	MSE owners and managers possess strong business management skills.					
30	Lack of business planning skills is a challenge for MSE sustainability.					
31	Entrepreneurship training and capacity-building programs are accessible.					
32	Innovation and adaptability among MSEs contribute to their growth.					
33	The use of modern technology and digital tools improves business performance.					
34	MSEs have sufficient marketing and branding skills to compete in the market.					
35	Lack of skilled labor negatively affects MSE productivity and expansion.					

Measurements of Growth in MSEs

(Please indicate your level of agreement by circling the appropriate number: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.)

No.	Survey Question	1	2	3	4	5
1	My business has experienced an increase in annual revenue over the past three years.					
2	The number of employees in my business has grown over time.					
3	My business has expanded its production or service capacity.					
4	The customer base of my business has significantly increased.					
5	My business has successfully introduced new products or services in the last two years.					
6	Access to finance has contributed to the growth of my business.					

7	Market linkages have positively impacted the sales and profitability of my business.					
8	Government policies have been supportive of my business growth.					
9	My business has improved its infrastructure (workspace, equipment, utilities).					
10	Training and skill development programs have helped improve my business performance.					
11	My business has faced significant challenges in sustaining its growth.					
12	Competition in the market has affected the growth of my business.					

Appendix B

Appendix: Key Informant Interview Guide

This section provides the key informant interview (KII) guide used to gather qualitative insights from experts, policymakers, business owners, and other stakeholders regarding the growth of micro and small-scale manufacturing enterprises in Dembecha Town, Amhara Region, Ethiopia.

Key Informant Details

- Name (optional): _____
- Position/Role: _____
- Organization/Institution: _____
- Years of Experience: _____

Interview Questions

1. **General Information on MSE Growth**
    1. How do you assess the current growth status of micro and small-scale manufacturing enterprises in the study area?
    2. What are the key indicators used to measure the growth of these enterprises?
    3. Have there been noticeable changes in the number of MSEs operating in this sector over the past five years?

2. Major Factors Affecting MSE Growth

1. What are the main challenges facing MSEs in accessing market linkages?
2. How does access to finance impact the expansion and sustainability of MSEs?
3. What role does infrastructure (electricity, roads, workspaces, etc.) play in the growth of MSEs?
4. How supportive are government policies and regulations toward the development of these enterprises?
5. To what extent do business and entrepreneurial skills influence the success of MSEs?

3. Government and Institutional Support

1. What programs or initiatives are currently in place to support MSE growth?
2. How effective are local government and financial institutions in providing support?
3. What policy recommendations would you suggest to improve the growth of micro and small-scale enterprises?

4. Future Prospects and Recommendations

1. What are the emerging opportunities for MSEs in the study area?
2. How can digital technology and innovation be leveraged to enhance MSE growth?
3. What additional support mechanisms would be beneficial for MSE sustainability?

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ውድተጠሪ
ሰላምታ!

በዚህጥናትላይለመሳተፍጊዜስለወሰዱእናመሰግናለን።የጥቃቅንናአነስተኛማኑፋክቸሪንግኢንተርፕራይዞችንዕድገ ትወሳኞችላይጥናትእያደረግሁነው፡

በአማራክልልደምበጫከተማጉዳይበኢትዮጵያየጥቃቅንናአነስተኛአካልነው።የእርስዎግንዛቤዎችእናልምዶችለዚህ ምርምርስኬትጠቃሚናቸው።

የዚህዳሰሳጥናትዓላማበደምበጫከተማበጥቃቅንናአነስተኛማምረቻኢንተርፕራይዞችእድገትናልማትላይተፅእኖያ ላቸውንነገሮችመረጃመሰብሰብነው።የእርስዎምላሾችእንደየፋይናንስተደራሽነት፣መሠረተልማትእናየስራፈጠራች ሎታያሉቁልፍየእድገትመለኪያዎችንለመለየትይረዳሉእናለፖሊሲአውጪዎች፣የአካባቢየመንግስትባለስልጣናትእና የልማትኤጀንሲዎችጠቃሚግንዛቤዎችንይሰጣሉ።እባክዎንተሳትፎዎበፈቃደኝነትእንደሆነእናበማንኛውምጊዜያለ ምንምመዘዝለመውጣትመምረጥይችላሉ።ያቀረቡትሁሉምመረጃዎችበጥብቅበሚስጥርነትይታከማሉእናለአካ ዳሚክዓላማዎችብቻጥቅምላይይውላሉ።የትኛውምየግልመለያዎችበማንኛውምየጥናትክፍልውስጥአይካተቱም , እናውጤቶቹበጥቅልመልክይቀርባሉ.

ለዚህጥናትስኬትየእርስዎታማኝእናአሳቢምላሾችወሳኝናቸው፣እናጊዜዎንእናትብብርዎንከልብአመስግናለሁ።

ላደረጉትአስተዋፅያበድጋሚእናመሰግናለን።

ክፍልአንድ፡የስነሕዝብመረጃ (እባክዎተገቢውንደብዳቤበማየትምላሽዎንያመልክቱ።)

1. **ጾታሀ) ወንድለ) ሴት**
2. **የዕድሜቡድንሀ) ከ**20 **ዓመትበታችለ**) 21 - 30 **ዓመትሐ**) 31 - 40 **ዓመትመ**) 41 - 50 **ዓመትሠ**) 51 **ዓመትእናከዚያበላይ**
3. **የትምህርትደረጃሀ) መደበኛትምህርትየለምለ) የመጀመሪያደረጃትምህርትሐ) ሁለተኛደረጃትምህርትመ) ዲፕሎማሠ) የባችለርዲግሪረ) የድህረምረቃዲግሪ**
4. **የጋብቻሁኔታሀ) ነጠላለ) ያገባሐ) የተፋታመ) ባልየሞተባት**
5. **ሥራሀ) የንግድሥራባለቤት/ ሥራአስኪያጅለ) ተቀጣሪሐ) በራሱሥራየሚተዳደር (ከንግድሥራጋርያልተያያዘ) መ) ተማሪሠ) ሥራአጥረ) ሌላ (እባክዎይግለጹ): _____**
6. **በጥቃቅንናአነስተኛማኑፋክቸሪንግዘርፍለምንያህልጊዜተሳትፈዋል?**
   ሀ) ከ 1 **ዓመትበታችለ**) 1 - 3 **ዓመትሐ**) 4 - 6 **ዓመትመ**) 7 **ዓመትእናከዚያበላይ**
7. **የማኑፋክቸሪንግንግድዓይነትሀ) ጨርቃጨርቅናአልባሳትለ) አግሮፕሮሰሲንግሐ) የምግብናመጠጥማቀነባበሪያመ) የብረታብረትናየእንጨትሥራሠ) ሌላ (እባክዎይግለጹ)፡ _____**

ክፍልሁለት፡የጥቃቅንናአነስተኛማኑፋክቸሪንግኢንተርፕራይዞችንዕድገትየሚወስኑ፡ የዳሰሳጥያቄዎችየምላሾችንእይታለመለካትበእያንዳንዱየተለየዓላማበመለኪያሚዛንይከተላል።ለእያን ዳንዱጥያቄ፣ምላሽሰጪዎችከ1 እስከ 5 ያለውንቁጥርያከብራሉ፣ደግሞ “ 1 = በጣምአልስማማም, 2 = አልስማማም, 3 = ገለልተኛ, 4 = እስማማለሁ, 5 = በጣምእስማማለሁ)” የሚልነው።

3. በጥናቱአካባቢየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችወቅታዊእድገትሁኔታ።

ተ.ቁ	የዳሰሳጥያቄ	1	2	3	4	5
1	በደምበጫከተማየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችእድገትባለፉትጥቂትዓመታትተከታታይነትያለውነው።					
2	በደምበጫከተማከቅርብዓመታትወዲህየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችቁጥርጨምሯል።					
3	የጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችየማምረትአቅምበከፍተኛደረጃተሻሽሏል።					
4	የጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችትርፋማነትአወንታዊእድገትአሳይቷል።					
5	በደምበጫከተማበጥቃቅንናአነስተኛማኑፋክቸሪንግኢንተርፕራይዞችየተፈጠሩትየስራእድልጨምሯል።					
6	አዳዲስቴክኖሎጂዎችመቀበልለጥቃቅንናአነስተኛአምራችኢንተርፕራይዞችእድገትአስተዋጽአአድርጓል።					
7	በጥቃቅንናአነስተኛአምራችኢንተርፕራይዞችየገበያፍላጎትጨምሯል።					
8	የመንግስትፖሊሲዎችእናየድጋፍፕሮግራሞችበጥቃቅንናአነስተኛየማምረቻኢንተርፕራይዞችእድገትላይበጎተጽዕኖአሳድረዋል።					

4. የጥቃቅንናአነስተኛአምራችኢንተርፕራይዞችእድገትቆራጮች

ተ.ቁ	የዳሰሳጥያቄ	1	2	3	4	5
2.1. የገበያትስስር						
1	በጥቃቅንናአነስተኛአምራችኢንተርፕራይዞችእናበአካባቢ/ክልላዊገበያዎችመካከልጠንካራየንግድመረብአለ።					
2	የገበያእድሎችውስንተደራሽነትየጥቃቅንናአነስተኛአምራችኢንተርፕራይዞችእድገትንያግዳል።					
3	የአቅራቢዎችናአከፋፋዮችመገኘትየንግድሥራመስፋፋትንይደግፋል።					
4	በአካባቢውያሉየጥቃቅንናአነስታኛምርቶቻቸውንለማስተዋወቅየንግድትርኢቶችንእናኤግዚቢሽኖችንማግኘትይችላሉ።					
5	ለዘላቂዕድገትበአገርውስጥየሚመረቱምርቶችየገበያፍላጎትበቂነው።					
6	ዲጂታልግብይትእናኢ-ኮሜርስየጥቃቅንናአነስተኛምርቶችየገበያተደራሽነትበማስፋትረገድሚናይጫወታሉ።					
7	ደካማየደንበኞችትስስርእናየምርትስምእውቅናየድርጅትመስፋፋትንይገድባል።					
2.2. የፋይናንስመዳረሻ						
8	የጥቃቅንናአነስተኛየብድርእናየብድርአገልግሎቶችንየማግኘትመብትአላቸው።					
9	የዋስትናእጦትፋይናንስለማግኘትትልቅእንቅፋትነው።					
10	በብድርላይያለውየወለድመጠንለጥቃቅንናአነስተኛኢንተርፕራይዞችተመጣጣኝነው።					
11	የመንግስትእናየግልየፋይናንስተቋማትለጥቃቅንናአነስተኛኢንተርፕራይዞችየገንዘብድጋፍበቂድጋፍይሰጣሉ።					
1	መደበኛያልሆኑየፋይናንስምንጮች (ጓደኞች፣ቤተሰብ፣የአገርውስጥአበዳሪዎች)					

2	በጥቃቅንናአነስተኛኢንትርፕራይዞችፋይናንስውስጥቁልፍሚናይጫወታሉ።					
13	የገንዘብድጋፍየዘገየመዳረሻየንግድመስፋፋትንይገድባል።					
14	የፋይናንስእውቀትማነስጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችየገንዘብድጋፍንየማግኘትእናየማስተዳደርችሎታንይነካል።					
2.3. መሠረተልማት						
15	ለጥቃቅንናአነስተኛኢንተርፕራይዞችአስተማማኝመሠረተልማት (ኤሌክትሪክ፣ውሃ፣መንገድየመስሪያቦታ) ይገኛል።					
16	ደካማየመንገድሁኔታእናየትራንስፖርትአገልግሎትለጥቃቅንናአነስተኛኢንተርፕራይዞችየገበያመዳረሻንይገድባል።					
17	በተደጋጋሚየኃይልመቆራረጥበምርትላይአሉታዊተጽዕኖያሳድራል.					
18	የማምረቻቦታንየመከራየትዋጋለጥቃቅንናአነስተኛኢንተርፕራይዞችተመጣጣኝነው።					
19	የኢንዱስትሪዞኖችእናየስራቦታዎችመገኘትየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችእድገትንይደግፋል.					
20	የቴክኖሎጂእናየማሽንአቅርቦትእጥረትምርታማነትንይገድባል።					
21	በይነመረብእናዲጂታልአገልግሎቶችየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችስራዎችንውጤታማነትያሻሽላሉ።					
2.4. የመንግስትፖሊሲ						
22	የመንግስትፖሊሲዎችእናደንቦችየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችእድገትንይደግፋሉ.					
23	ውስብስብየቢሮክራሲያዊሂደቶችየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞዎችንለመመዝገብእናለመስራትአስቸጋሪያደርገዋል።					
24	ለጥቃቅንናአነስተኛማኖፋክቸሪንግኢንተርፕራይዞችየግብርፖሊሲዎችፍትሃዊናቸውእናየንግድእድገትንያበረታታሉ።					
25	በስልጠናናበምክርአገልግሎትረገድየመንግስትድጋፍበቂነው።					
26	ሙስናእናአድሎአዊነትየመንግስትንየድጋፍፕሮግራሞችተደራሽነትይጎዳል።					
27	በአካባቢባለስልጣናትእናበጥቃቅንናአነስተኛማኖፋክቸሪንግኢንተርፕራይዞችመካከልጠንካራቅንጅትአለ።					
28	በመሬትድልድልላይየመንግስትፖሊሲዎችጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዝልማትንይደግፋል።					
2.5. የስራፈጠራችሎታዎች						
29	የትቃቅንናአነስተኛኢንተርፕራይዞችባለቤቶችእናአስተዳዳሪዎችጠንካራየንግድአስተዳደርችሎታአላቸው።					
30	የንግድእቅድችሎታማነስለጥቃቅንናአነስተኛማኖፋክቸሪንግኢንተርፕራይዞችዘላቂነትፈተናነው።					
31	የኢንተርፕረነርሺፕስልጠናእናየአቅምግንባታፕሮግራሞችተደራሽናቸው።					
32	በጥቃቅንናአነስተኛማኖፋክሪንግኢንተርፕራይዞችመካከልስራፈጠራእናመላመድለእድገታቸውአስተዋፅያያደርጋሉ።					
3	ዘመናዊቴክኖሎጂንእናዲጂታልመሳሪያዎችንመጠቀምየንግድሥራንያሻሽላል.					

3						
3 4	በጥቃቅንናአነስተኛማኖፋክቸሪንግኢንተርፕራይዞችበገበያላይለመወዳደርበቂየግብይትእናየንግድምልክትችሎታዎችአሏቸው።					

ደብረማርቆስዩኒቨርሲቲ

የንግድእናየኢኮኖሚክሌጅ

የኢኮኖሚመምሪያ

ውድተጠሪ

ሰላምታ!

በዚህጥናትለመሳተፍጊዜስለወሰዱእናመሰግናለን።የጥቃቅንናአነስተኛማኑፋክቸሪንግኢንተርፕራይዞችንዕድገትወሳኞችላይጥናትእያደረግሁነው፡

በአማራክልልደምበጫከተማጉዳይበኢትዮጵያየጥቃቅንናአነስተኛማኖፋክቸሪኒግኢንተርፕራየዞችአካልነው።የዚህጥናትየእርስዎግንዛቤዎችእናልምዶችለዚህምርምርስኬትጠቃሚናቸው።

የዚህቃለመጠይቅዓላማበደምበጫከተማበጥቃቅንናአነስተኛማምረቻኢንተርፕራይዞችእድገትናልማትላይተፅእኖያላቸውንነገሮችመረጃመሰብሰብነው።

ይህክፍልበአማራክልልደምበጫከተማበጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችእድገትላይከባለሙያዎች፣ከፖሊሲአውጪዎች፣ከቢዝነስባለቤቶችእናከሌሎችባለድርሻአካላትጥራትያለውግንዛቤንለመሰብሰብየሚያገለግልቁልፍየመረጃሰጭቃለመጠይቅወይምመመሪያይሰጣል።

ቁልፍመረጃሰጪዝርዝሮች

- ስም (አማራጭ)፡- _____
- ቦታ/ሚና፡ _____
- ድርጅት/ተቋም፡ _____
- የዓመትልምድ፡ _____

የቃለመጠይቅጥያቄዎች

1. ስለጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችዕድገትአጠቃላይመረጃ

- የጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችንበጥናትአካባቢያለውንየእድገትደረጃእንዴትይገመግማሉ?.....----------

1. የእነዚህንኢንተርፕራይዞችእድገትለመለካትየሚያገለግሉዋናዋናአመልካቾችምንድንናቸው?.....----------

2. ባለፉትአምስትዓመታትበዚህዘርፍበሚሰሩየጥቃቅንናአነስተኛማኖፋክቸሪኒግኢንተርፕራይዝላይጉልህለውጦችታይተዋል?.....-------

2. የጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችእድገትንየሚነኩዋናዋናነገሮች

1. የገበያትስስርንለማግኘትበጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችየሚያጋጥሟቸውዋናዋናተግዳሮቶችምንድንናቸው?----------

2. የፋይናንስተደራሽነትየጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችመስፋፋትእናዘላቂነትላይተ
ጽእኖየሚያሳድረውእንዴትነው?----------

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3. መሰረተልማት (ኤሌክትሪክ፣መንገዶች፣መስሪያቦታዎች፣ወዘተ)
ለጥቃቅንናአነስተኛማኖፋክቸሪነግኢንተርፕራይዞችእድገትምንሚናይጫወታል?----------

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4. የመንግስትፖሊሲዎችናመመሪያዎችለእነዚህኢንተርፕራይዞችልማትምንያህልይደግፉሉ?----------

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5. የንግድእናየስራፈጠራችሎታዎችበጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችስኬትላይምንያ
ህልተጽዕኖያሳድራሉ?----------

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3. የመንግስትእናተቋማዊድጋፍ

1. ጥቃቅንናአነስተኛየማኑፋክቸሪንግኢንተርፕራይዞችእድገትንለመደገፍበአሁኑጊዜምንፕሮግራሞችወይም
ተነሳሽነቶችአሉ?----------

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2. የአካባቢአስተዳደርእናየፋይናንስተቋማትድጋፍንበመስጠትረገድምንያህልውጤታማናቸው?----------
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3. የጥቃቅንናአነስተኛኢንተርፕራይዞችንእድገትለማሻሻልምንየፖሊሲምክሮችንትጠቁማላችሁ?----------
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4. የወደፊትተስፋዎችእናምክሮች

1.
በጥናትመስክጥቃቅንናአነስተኛኢንተርፕራይዞችአዳዲስእድሎችምንድንናቸው?----------

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2. የጥቃቅንናአነስተኛኢንተርፕራይዞችእድገትንለማሳደግዲጂታልቴክኖሎጂንእናፈጠራንእንዴትመጠቀም ይቻላል?---

3. ለጥቃቅንናአነስተኛማኖፋክቸሪንግኢንተርፕራይዞችዘላቂነትምንተጨማሪየድጋፍዘዴዎችጠቃሚናቸው ?---

Appendix C

Figure 4.1.Linearity Test

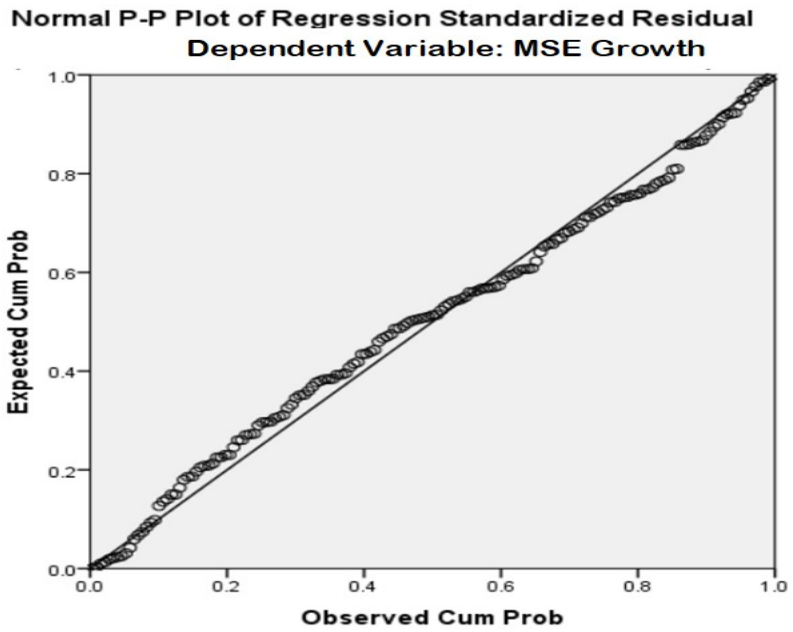

Figure 4.2. Normality

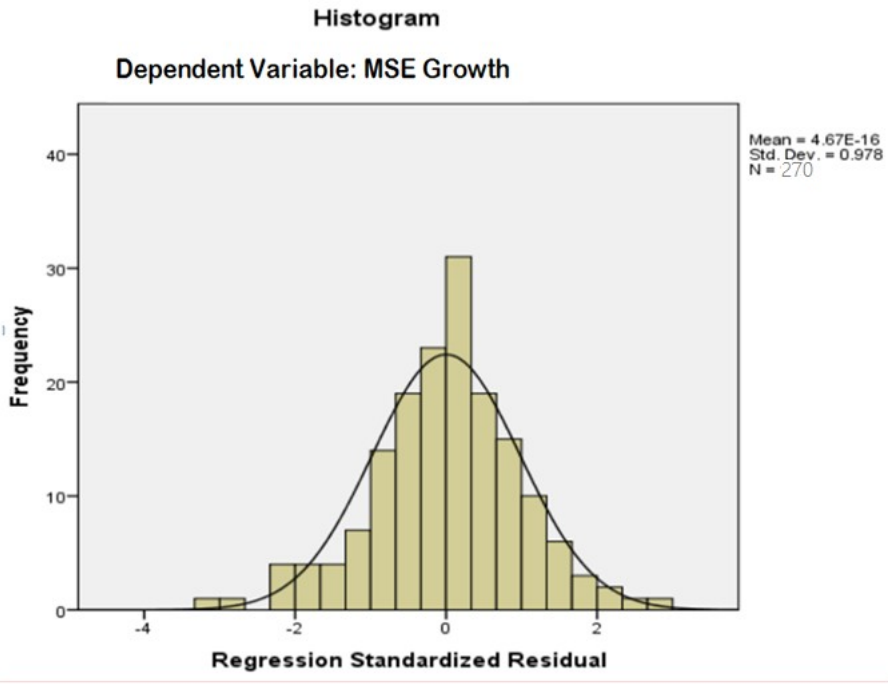

Figure 4.3. Homoscedasticity Test