

**FACTORS AFFECTING MICRO AND SMALL ENTERPRISES
PERFORMANCE IN CASE OF ROBE CITY**



**COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE**

BY

DERARO ADUGNA

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ADVISOR: MAMA SULTI (PhD)

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Declaration

I, Deraro Adugna have conducted research on “Internal Factors Affecting Micro and Small Enterprises Performance case of Robe City” independently in partial fulfillment of the requirement of the Master of Science in Accounting and Finance (MSc) with the guidance and support of the advisor Mama Sulti (PhD). I, also declare that this research thesis is my original work and that all sources of materials used for the research have been duly acknowledged.

Declared by:

Deraro Adugna

Name of the Designate

Signature

Date

Certification

It is verified that the author's original work is included in this publication. The researcher has employed trustworthy sources of information and carried out all required research.

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MADAWALABU UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

FACTORS AFFECTING MICRO AND SMALL ENTERPRISES

PERFORMANCE IN CASE OF ROBE CITY

SUBMITTED BY:

Deraro Adugna

Name of Student

Signature

Date

Approved by:

Mama S. (PhD)

Advisor

Signature

Date

Chairperson

Signature

Date

Internal Examiner

Signature

Date

External Examiner

Signature

Date

Department head

Signature

Date

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Acronyms

EDL	Job knowledge
ES	Entrepreneur Skill
FF	Financial Factor
HC	Human Capital
MS	Managerial skills
MST	Marketing strategy
MSEs	Micro and Small Enterprises

Abstract

The purpose of this study was to identify internal factors affecting Micro and Small Enterprises performance in case of Robe City. Both descriptive and explanatory research design were used in the study. The data were collected from 318 members of selected MSEs Robe City. Further, the data collected from 9 MSEs managers and 4 team leaders of selected sample office. Both primary and secondary data source were used to collect data. Closed-ended questionnaires along with interviews were used for the purpose of data collection. The selections of the members carried out by using simple random sampling techniques, to avoided bias and also ensured. The quantitative data generated and analyzed with the help of Statistical Package for Social Sciences presented by using different tables, frequency, percentages, correlation and regression. The study found that marketing strategy is the most significant factor affect MSES performance followed by entrepreneur skill and managerial skills respectively, but job knowledge, human capital and financial factor has no significant effect on MSEs performance. Further, MSEs of Robe City advised to upgrade the education of members. MSEs of Robe City advised to continuously arrange training in MSEs for the Member's. MSEs of Robe City advised to the manager expected to have knowledge and act efficiently in MSEs job. Management of MSEs of Robe City advised to have knowledge of diversity of the work get professions. MSEs of Robe City advised to make the interest rate by lending institutions are in normal level.

Keywords: *Academic skill, Entrepreneur Skill, Managerial skills, Financial Factor, Human Capital, Marketing strategy, MSEs performance*

CHAPTER ONE

1. INTRODUCTION

This chapter discussed the background of the study, statement of the problem, purpose of these study, objectives of the study, research hypotheses, justification of the study, significance of the study, definition of key terms, and organization of the study.

1.1. Background of the study

The Micro and Small Enterprise sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. The realization of a modest standard of living through curbing unemployment and facilitating the environment for new job seekers and self-employment requires a direct intervention and support of the government and other concerned stakeholders (Debela, F. M. 2019).

Micro and Small enterprises (MSEs) are those enterprises that employ not more than 50 employees and work on small scale. The technical definition varies from country to country but is usually based on employment, assets, or a combination of the two. Most of the foreign countries are realizing the fact that MSEs contribute a major portion of the country's GDP and economic activity and they hold an important place and get the similar effects when a business policy is laid by the government for larger businesses. Most of the south eastern countries have realized the importance of the MSE's towards the productivity of the country and for this reason most of the countries are keeping vigilant eye on the growth and interest of the people running these Micro and Small enterprise (Barnes, T. 2019).

Regarding the definition of the term MSEs universally accepted definition is not yet given. This is because of the heterogeneity of MSEs themselves and the nature of the economy in which they operate. This becomes the agent for the absence of establishing feasible global definitions that can be used everywhere in the same manners. Due to this and the other related factors, different countries use different criteria such as the number of employees, assets, employed capital, sales

turn over, or combination of the above factors to determine the size of the enterprises. For instance, the most common definitions used by regulators are based on the number of employees, sales and/or loan size (Teka, B. M. 2022).

Aregash (2005) and Gebreyesus (2009) studied the assessment of job creation and the involvement of business development services in this region (BDS). They did not, however, explore the factors that influence MSE company owners' performance, such as skills and capacity building, or gender variations in MSE performance. As a result, the focus of this research was on identifying the factors that contribute to the success of MSE business owners, as well as characterizing gender variations, socioeconomic characteristics, and skills and capacity building provided by responsible entities. Robe town MSEs have been significant in terms of generating work opportunities for university or other college graduates, as well as enhancing the social economy, production, and service, according to studies. The town's 2,331 MSEs are predicted to expand from 833 in 2015 to 2331 in 2020, according to the Robe town employment creation and food security office (RJCFS). There are currently 2,331 MSEs in the Robe towns, with a total of 9,550 owners and 18,342 employees. MSEs are positively and significantly influenced by management skills, availability of infrastructure service, and access to capital, market, and technology service, according to Teji (2020) in her research on drivers of operating performance of small and medium enterprises in Robe town. This necessitated a thorough investigation into the factors that affecting MSE financial success. So far, studies undertaken in Ethiopia have focused on descriptive statistics in general and Robe town in particular, rather than identifying the factors of financial performance of MSEs using reliable econometric models. As a result, this study offers some guidance to the government and non-governmental organizations in identifying the factors that influence MSE financial success.

1.2. Statement of the Problem

MSEs play dynamic role on the growth of country and were base of medium and large firms. Since the studies focus on the MSEs sector importance and Micro and Small Enterprises institutions', role in general. Most of the large businesses in Ethiopia have started as Micro and Small Enterprise have grown to their maturity over long a period by cumulating capital and business management experiences. In Ethiopia, despite the huge importance of the MSE sector to

the national economy with regards to job creation and the improvement of abject poverty, many of the MSEs are unable to realize their full potential due to the existence of different factors that inhibit their growth and performance (Debela, F. M. 2019).

However, the existence of a strong small business sector is necessary for the boosting of the economy. The transition of a small-scale enterprise to medium enterprise and medium to large is crucial to preserve the flow of new small businesses into the economy. In addition, such transition or growth will further reduce the unemployment rate and increase the number of products or services offered to the society (Teka, B. M. 2022).

Even if small business sector is necessary for the boosting of the economy there are different factors affecting Micro and Small Enterprises Performance. Such as lack of capital equipment, lack of incentive from government, lack of access to funding from commercial banks, lack of employees motivation, inability to develop long term strategy, poor cash flow lack of reliable information about the contract, increased competition, lack of safe working environment to workers, lack of management skills, high start-up cost, lack of experience in business, low productivity, non-co-operation from suppliers, poor attitudes towards competition, poor labor relation, poor employees performance, limited market size, poor business location and high number of unskilled employees (Ali1, Awad and D. Abdulsalam ,2020).

Many recent studies were focused on the problems to identify Factors Affecting Micro and Small Enterprises Performance both outside and in Ethiopia. For example Sitharam and Hoque (2016), Assoc. Prof. Afrim Loku and Dr. NadireLoku (2020), Bethlehem (2018), Meseret (2018), Gebrie (2018).

Mekonnen and Tilaye (2013) stated that there are MSEs in the country that have shown deteriorating performance and have been experiencing massive stumbling blocks with no significant graduation from one enterprise level to the next. While there is a poor study on MSEs in Ethiopia that focuses on characteristics that impact financial performance, and the few studies that do exist largely focus on MSE issues, As a result, a rigorous examination of the elements that influence the sector's financial performance is necessary in order to improve the enterprise's role in economic growth and contribution to job opportunities. To address the aforementioned

issues, this research attempts to present a comprehensive understanding of the factors of MSE financial performance by a thorough analysis of the literature and empirical research in the field. From a practical standpoint, it not only functions as a self-check for the existing enterprise sector, but also as a means of increasing participation in business operations through a better understanding of the factors of MSE financial performance. Such an understanding of the pre-requisites for Robe town MSE to perform well in their businesses of critical importance especially in today's competitive environment. Furthermore, earlier Ethiopian studies concentrated on the national and regional levels. As a result, the purpose of this study is to fill the research vacuum in MSEs that exists at the town level, as well as to identify predictors of MSEs' financial success in the study area. In this light, the primary goal of this research is to investigate the elements that influence the financial performance of MSEs in the Robe Town Administration and to make recommendations.

This research addressed in particular the effect of factors in the SME sector which are vital to the country's economy, and the effect of factors such as Job knowledge, Entrepreneur Skill, Managerial skills, Financial Factor, Human Capital and Marketing strategy on the Micro and Small Enterprises Performance in Robe City.

1.3.Objective of the Study

1.3.1.General objective of the study

The general objective of this study was to investigate factors affecting Micro and Small Enterprises performance in case of Robe City

1.3.2.Specific objectives of the study

In line with above general objective, the specific objectives of the study were as follows:

1. To assess the level of MSEs performance.
2. To identify the relationship between internal factors and MSEs Performance.
3. To examine the factor that affect the MSEs performance.

1.4. Hypotheses of the Study

Hypothesis development is very important because acceptance and the rejection of hypothesis show the significance of the study. On the basis of literature review and the theoretical framework the hypotheses of this study were as follows:

H1: Job knowledge has positive significant effect on MSE performance

H2: Human capital has positive significant effect on MSE performance

H3: A managerial skill has positive significant effect on MSE performance

H4: Financial factor has negative significant effect on MSE performance

H5: Entrepreneur skill has positive significant effect on MSE performance

H6: Marketing strategy has positive significant effect on SME performance

1.5. Significant of the Study

Micro and Small Enterprises is one of the government priority areas in the struggle towards growth and development. This study is part of an element of growth effort in identifying the factors that hinder the performance of Micro and Small Enterprises. The findings of this study provided practical inputs that would help MSE office in Robe City to take informed decisions in the problems encountered in day-to-day operations. Besides, MSE operators in Robe City had an opportunity to look inward of their enterprises and analyze the factors particular to individual enterprises. The findings of the study also help leaders at different position in the enterprise to identified and apply recommended solution in their working for better organizational performance and improved organizational productivity. At last interested researchers also would be able to have a base for further study and provided substantial highlights.

1.6. Scope of the study

First, this study outlines its scope only assess Internal Factors Affecting Micro and Small Enterprises Performance. Geographically, the scope of study delimited to Mining; Service; Trade of Adoshe welashe, Zebela Welashe and Goba Kebele of Robe City only, because to conduct a

research on all micro small enterprise of the City is complex, costly, and time taking. Methodologically, the study delimited to descriptive, correlation and multiple regression methods to analysis the data. Further, factors affecting Micro and Small Enterprises is measured under different dimensions; therefore, to made the study manageable the researcher set the limits of the dimension of factors affecting Micro and Small Enterprises to 6 dimensions such as, job knowledge, entrepreneur skill, managerial skills, financial factor, human capital, marketing strategy and micro and small enterprises performance. In respect to the time frame of the study, it delimited to 2023/2024 academic years.

1.7. Limitation of the Study

The study was examining the factors affecting Micro and Small Enterprises performance in Robe town Oromia national regional state. The study was surrounds to individuals operating MSEs activities or establishments in all kebele's of Robe Town and concentrate on the owners of the MSEs. The purpose of the study was to conduct research on activities that fell within the scope of the research objectives. The literature review of the study revealed that the study was reviewing previous actions. Furthermore, due to a lack of job knowledge, entrepreneur skill, managerial skills, financial factor, human capital, marketing strategy were limited to a small number of individual operators engaged in informal sector operations.

The researcher was experiencing a lack of information from customers. The majority of the respondents were business owners who believed that their business information was confidential and thus were hesitant to provide information. Additionally, the majority of the respondents were businessmen and thus busy. Some respondents did not complete the questionnaire after it was given to them, and the researcher had to follow up with them to remind them to complete it so that the data could be collected. However, the researcher was able to acquire vital data for the study by being patient. The researcher experienced a number of challenges during the period in which the studies were undertaken.

1.8. Definition of Key Terms

Enterprise: can be defined as an undertaking engaged in production and/or distribution of goods & services for commercial benefits, beyond subsistence (household) consumption at the household level (Leavy, J., & Poulton, C. 2007).

Factors: A factor is a contributory aspect such as Job knowledge, Entrepreneur Skill, Managerial skills, Financial Factor, Human Capital and Marketing strategy influences that affect performance of small and medium enterprises (Tirimba, O. I, 2014).

Marketing strategy is the ability to tap into new markets requires expertise, knowledge and contacts (Kennedey, 2018).

Human Capital is the mechanism by which organizations develop value through new products, processes, and organizational systems (Kennedey, 2018).

Financial Factor is access of SME to finance (Afrim and Dr. Nadire, 2020)

MSEs' financial performance is a continuous variable evaluated in Ethiopian birrs. Profit is a metric for MSEs' financial performance.

1.9. Organization of the study

The paper is organized in to five chapters. Chapter one contains introduction, statement of the problem, objectives of the study, research hypotheses, significance, scope and limitations of the study. Chapter two describes Theoretical Framework, Factors Affecting Micro and Small Enterprises Performance, empirical reviewed and research gap. The third chapter including the methodology adopted and techniques that would apply in data collection and analysis are presented in. The fourth chapter would outline data presentation, analysis and interpretations; and the fifth chapter would deal with summary, conclusion, suggested recommendations and direction for further research.

CHAPTER TWO

2. RELATED LITERATURE REVIEW

This chapter's goal is to assess the body of research on the factors that influence small and microbusiness financial success. This chapter's next section provides an overview of the study's theoretical, empirical, and conceptual framework in order to contextualize it within the body of current literature. Consequently, it critically assesses both empirical data on the main research issue and contemporary theoretical models that are pertinent to understanding the study's research challenge. Next, the knowledge gap is presented.

2.1. Theoretical Review

The MSE sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. Small-scale enterprises are defined differently in different countries. What may be considered small in developed countries may be considered big in developing countries and somewhere else in the world. This is so because the criteria and ways of categorizing enterprises as micro and small from institution to institution and from country to country are different depending essentially on the country's level of development. Even within the same country, definitions also change overtime due to changes in price levels, advances in technology or other considerations (Emma I. et al., 2009).

For instance, in Ethiopia there are three institutions that define micro and small scale enterprises in deferent ways by using deferent criteria. Abagissa Jemal (2021), on its enterprises strategy document defines: micro enterprises are those business enterprises with a paid-up capital of less than birr 20,000 and excluding high tech consultancy firms and other technology establishments, small enterprises are those business enterprises with a paid-up capital of above birr 20,000 and not exceeding birr 500,000, and excluding high tech consultancy firms and other technology establishments, large and medium enterprises are those with more than birr 500,000 in paid-up capital (Kennedey, 2018).

2.2. Micro and Small Enterprise Performance

Global Entrepreneurship Monitor (GEM) defined performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it GEM. However, performance seems to be conceptualized, operationalized and measured in different ways, thus making cross-comparison difficult. According to Martin (2010) performance is defined simply in terms of output terms such as quantified objectives or profitability. Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K.J., 2009).

The issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established. The most commonly adopted definition of success (good performance) is financial growth with adequate profits. Other definitions of success (good performance) are equally applicable. For example, some entrepreneurs regard success as the job satisfaction they derive from achieving desired goals. However, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business performance models (Bethlehem, 2018).

2.3. Measuring MSE performance

Performance measurement is a process of collecting and reporting information regarding the performance of an individual, group or organizations. It can involve looking at process /strategies/ in place, as well as whether outcomes are in line with what was intended or should have been achieved. However, performance seems to be conceptualized, operational and measured in different ways thus making cross-comparison difficult.

Performance measurement can be split into financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time Haber and Reichel (2005).

According to Codjia (2010), a statement of financial performance is an accounting summary that details an organization's revenues, expenses and net income. As part of business management, financial performance measurement can be one of the biggest challenges faced by businesses in

the enterprises sector, especially with regard to their survival, if management is not trained on how to manage finance and measure performance. It is necessary to be able to assess whether or not a company has performed well over a certain period of time. From its profit and loss account, analysts can observe the profit it has generated. It is also necessary to know if a company is in a good short-term financial position, and if it is in a good financial position for long-term growth (Bethlehem, 2018).

To measure the development and growth of SMEs are used different indicators. Usually are used indicators such as sales or turnover growth and increase of employment over a period of time. Also for measuring the development of SMEs are used additional indicators such as asset value, market share, profits and output, though they are not very common compared with sales and employment indicators. Indicators such as the level of production and market share vary widely depending on the industry and as a result it is very difficult to use them for comparisons, while profit is not relevant unless measured for a period of time. For this reason both sales and employment remain very important indicators for measuring the growth and development of enterprises. Data on the number of employees is usually easier to collect as they are much more important for the government (Govori, 2013).

2.4. Internal Factors Affecting Micro and Small Enterprises Performance

2.4.1. Job knowledge

Small business owners would be less likely to seek to attain a formal schooling than those holding managerial positions in larger organizations, as individuals "followed in their father's footsteps. It is unquestionable as to the fact that, basic education improves the overall quality, value or extent of the owner/manager by providing him/her with basic numeric and literacy skills, thus increasing the chance of survival Tiruneh, (2011), Nor hafiz et al., (2011), Christian, (2010). The association between owner-managers' education and firms' performance as well as growth is depicted in the economic literature. It is obvious that, from the category of human capital effects on firms' competitiveness is resource allocating effect. In practice, such kind of effect is related to owner-managers' education, in that those with a relatively higher level of schooling have a greater ability to allocate resources efficiently to more productive lines of business and to select profit.

Beside, Evaliina and Labinot (2011), emphasize the role of entrepreneurial/business education in the growth/performance of the firm. Noticeably, they argue that a firm whose management has entrepreneurial education is likely to perform better than those manager slack entrepreneurial educations. They added, loan providers use owner-managers' education status as an indication of the ability to utilize resources efficiently to generate profit and be able to meet their obligations effectively. Thus, firms those leaded or owned with relatively more educated owners are likely to have more access to financial sources. Most empirical evidence confirms that firms with better-educated owners and managers tend to be more productive Mulu (2007). Despite these potential benefits, education may also harm SMEs growth in cases in which owners change their special care to other attractive opportunities. Depending on the research result which was conducted on small manufacturing firms in Chile found that, university education did not succeed in persuading higher efficiency, because the highly educated owners paid little consideration to monitoring their labor force (Tsfaye, 2019).

2.4.2. Entrepreneur Skill

Studies related to psychological factors of business success for developing country firms are very scarce Nichter and Goldmark(2009). Most of the macro based studies have tended to assume entrepreneurs with similar experiences and demographic characteristics. However, none of these factors alone can create a new venture or drive success Baum et al.,(2001). Accordingly, personality traits play a key role in driving ventures towards success. The 'big five' model is widely used as a robust indicator of personality traits. These big five factors that are generally agreed as personality traits or characteristics include: extraversion, emotional stability, agreeableness, conscientiousness and openness to experience. Based on the big five model, researchers have further classified entrepreneurial personality traits in to five categories: need for achievement, locus of control, motivation, risk-taking propensity, and self-efficacy. These traits are important psychological factors that would influence the performance of women owned and operated MSEs (Bethlehem, 2018).

2.4.3. Managerial skills

Managerial competencies have a positive influence on the performance of SMEs. Managerial experience, education, knowledge and start-up experience are used to measure managerial competencies. In a study where the importance of management competence in SMEs success

was investigated, lack of managerial competency was found to be the main reason why SMEs fail. Abdel, Rowena & Robyn (2010) revealed that small business owner-managers have very basic understanding of financial and accounting information and have serious problems with financial planning literacy. On the same theme, it has been asserted that small and micro enterprises owner managers have little knowledge about financial matters, and found out that those with little or limited financial planning skills do not even value the information extracted from financial statements (Sharmileeand Muhammad, 2016).

2.4.4. Financial Factor

Access of SME to finance is considered as main barrier faced by SME in the region, impacting growth and development of business entities. Given the characteristics of the sector, the authors find that young firms of small size face greater obstacles when they seek to obtain financial resources. However, it is noted that mostly of the SMEs rely on internal finance, such as existing cash, contribution from the owners, family and relatives, which is often insufficient for SMEs to survive and growth. Kosovo as a developing economy with different market forces which are hindering the competitiveness of local businesses, the necessity of investment has been created in order to grow their businesses (Afrim and Dr. Nadire, 2020).

As a result, the demand for external financing has been stimulated, especially for microenterprises. Credit is the main instrument of SMEs for funding. The most apparent private sector financing gaps in Kosovo include those for loans to micro-enterprises and for equity finance, which MFI struggle to meet the growing demand due to limited funding sources. The lack of sophistication in areas such as business planning, financial record keeping, and growth management has created a barrier to responding low collateral and equity finance requirements, which have consequently limited credit (Afrim and Dr. Nadire, 2020).

2.4.5. Human Capital

Human Capital is the mechanism by which organizations develop value through new products, processes, and organizational systems that are needed to respond to changing markets, technologies and modes of competition. It plays a critical role in determining the long-term survival of organizations, enhancing an organization's success, and maintaining its sustainable

competitive advantages through value creation. Most of the successful micro enterprises were characterized by qualities such as innovativeness, specialization and networking in their daily operations. Similarly, skilled employ is also one of the important determinants of an enterprises performance, since higher skilled employees is associated with higher employees productivity which will improve operational performance of enterprises. Skilled manpower, as measured by the share of skilled workers to total workers, has a significant and positive effect on the operational performance of the enterprises (Kennedey, 2018).

2.4.6. Marketing strategy

The ability to tap into new markets requires expertise, knowledge and contacts. Many researches stated that women often lack access to training and experience in on how to participate in the market place and are therefore unable to market goods and services strategically. Thus, women-owned micro enterprises are often unable to take on both the production and marketing of their goods. In the same manner, women have often not been exposed to the international market and therefore lack knowledge about what is internationally acceptable (Kennedey, 2018).

Marketing skills, such as identifying new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas are very important factors that micro and small business enterprises should possess to be successful long term survival in the future. The quality of marketing planning is associated with a higher level of market orientation. Perhaps one can argue that, better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort. This study also indicates that managerial functions in small enterprises are limited to routine short term focused activities, and very little emphasis is given long term competitiveness which intern has an impact on the long-term success and profitability of the enterprises (Mizan, 2018).

2.5. Empirical Review

2.5.1. Worldwide Reviews

Sitharam and Hoque (2016) were done the study on “Factors affecting the performance of Micro and Small enterprises in Kwa Zulu Natal, South Africa”. To achieve the study objective the researchers were used cross-sectional study conducted among 74 MSEs owners/managers who were members of the Durban Chamber of Commerce via online using anonymous questionnaire. The results revealed technological advancement would improve the performance of the business. With regards to challenge, the majority of the respondents viewed competition as a major challenge. Almost all the respondent indicated that crime and corruption affecting business performance. Competition was the only factor amongst the studied internal and external factors that revealed a significant association with the performance of MSEs in KwaZulu-Natal ($p = 0.011$). SMEs need to recognize they must prepare for both domestic and international competition. Collaboration between SMEs could be a way for MSEs to confront competition.

Ombongi and Long (2018) were done the study on Factors Affecting Financial Performance of Micro and Small Enterprises (MSEs): A Case of Manufacturing MSEs in Kenya. To achieve the study objective the researchers were applied Descriptive research whereby data collected was analyzed using regression analysis that confirmed econometric least square model of the study. The study has confirmed a direct relationship between MSEs financial performance and the independent variables; bank credit, technological costs, GDP, growth in number of MSEs and employee costs. The study is highly recommended for use by stakeholders in MSEs and Government of Kenya in efforts to ensure external financing is available to MSEs.

Assoc. Prof. AfrimLoku and Dr. NadireLoku (2020) were done the study on internal factors affecting the performance of Micro and Small Enterprises in Kosovo. To achieve the study objective the researchers were used cross-sectional survey with Kosovo MSEs through an anonymous online questionnaire. This study confirms that all internal factors - managerial skills and competencies, business experience, access to finance and technological capabilities, depending on a period, have a significant impact on the performance of MSEs. While access to finance is considered as a major challenge, technology is considered to help improve business

performance. As researchers results revealed that poor managerial skills and competencies, despite having a significant impact on the performance of MSEs, they were also related to access in finance and technological skills, making it difficult to run a business. Training and empowerment of MSE managers in key business areas can be an opportunity to improve business performance.

F. Ali, S. H. Awad and D. Abdulsalam (2020) were done the study on factors affecting the performance of small-scale construction firms in Nigeria. To achieve the study objective the researchers were used .The study adopted an exploratory approach using Focus group to explore aspects of the operation and practice of the small-scale construction firms including problems, constraints and possible remedies. Ten (10) contractors were selected for the focus group discussion. The focus group interviews was based on several questions, which were formulated, based on the review of past literature that was available in the domain of interest. The questions were framed in an open-ended way and the responses were recorded using field notes and tape recording for later transcription and analysis.

A frequency scale of 1-10 was used to rate the respondents answer. A score of 1-4 was considered as having a minimal effect and a score of 5-6 was taken as moderate effect on performance while a score of 7-10 was considered as high effect on the performance of small-scale construction firms in Nigeria. The interview data was reviewed in order to abstract the important concepts. Results and discussion was based upon the views expressed by participants. Thematic content analysis was used in the analysis of the focus group data. It is a type of content analysis used in order to obtain important underlying meaning out of the text content. This type of analysis permits the emergence of ideas from identifiable themes based on transcribed responses. The method involves identifying the vital points in the discussion and putting them into categories.

These are; Company Related Factors, Government Related Factors, Industry Related Factors, Environment Related Factors, Financial Related Factors, Client Related Factors and Resource Related Factors. These sectors emerged from statements made by participants in response to questions or issues raised during the focus group discussions. The categories needed to be

exhaustive in that all substantive statements fall under a category and as exclusive as possible so that one statement fit one rather than many categories.

The focus group discussions helped to identify and confirmed 113 factors having a negative effect on the performance of small-scale construction firms and 82 measures that could be implemented towards improving performance. It further helped in grouping the 113 variables into categories comprising Company, Financial, Environment, Government, Industry, Resources and Client related constraints. While the 82 measures were classified into Internal measures to be implemented by small-scale construction firms towards solving constraints internal to the firms and External measures to be implemented by government and other stakeholders as a means of supporting the small-scale construction firms to improve their performance.

Qalati et al. (2020) were done the study on Examining the Factors Affecting SME Performance: The Mediating Role of Social Media Adoption. To achieve the study objective the researchers were used a quantitative method, we observed 423 responses through structural equation modeling. The findings of the study indicate that technology, organization, and the environment play effective roles for SME performance. More importantly, social media adoption positively mediates the relationship between technology, organization, environment, and SME performance. The study also helps organizations realize the advantages of using social media and specifies the rationale behind an organization's investment in social media.

Khan and Burki (2020) were done the study on determinants of Micro and Small enterprises performance with the interaction effect of managerial activities in China. To achieve the study objective the researchers 'were collected data from 362 employees. SPSS (Statistical Package for the Social Sciences) software was employed for data analysis for descriptive and regression analysis. The finding confirmed that commercial loans, trade credit, retained earnings have a positive and significant impact upon SME's performance. It is also found that managerial activities have played a mediating role and increased the performance of SMEs. Among variables under study, the more trade credit activities, the higher the performance of the SMEs is observed. Based on this study's results, Leaders, supervisors, and managers are those employees having a substantial role in the performance, development, failure, and success of an organization. Managerial activities are vital for a manager for the purpose to know what should

be done in different circumstances and improve overall performance and accomplish organizational goals.

2.5.2. Empirical review in Ethiopia Context

Deksiso (2018) was done the study on Assessment of the factors affecting the performance of micro and small scale enterprise: The case of Wolkite City, Guraghe zone, Southern Ethiopia. To achieve the study objective the researcher was used primary sources of data were collected through survey questionnaire from samples of 30 peoples by means of the random sampling technique. Moreover, face to face interview was also conducted with the coordinator of micro and small-scale enterprises in Wolkite City. Data collected using the questionnaire were analyzed using descriptive and econometric model (OLS). This paper focuses on determining the influence of factors like age, sex, family size, access to business information, access to, access to financial services and access to managerial skills on the performance of micro and small-scale enterprises. Especially, access to infrastructure and low-level education are the main factors that are affecting the performance of micro and small-scale enterprises in this City. This implies that mainly due to this factors most of the enterprise in this City was at the initial growth stage and their performances were decreasing from time.

Gebrie (2018) was done the study factors affecting the profitability of Micro and Small enterprises in south Gondar: evidence from Woreta City. To achieve the study objective the researcher was used explanatory research design to determine the effect of firm's size, liquidity, efficiency, asset management and leverage to the profitability of MSEs by selecting a sample of 12 MSEs those engaged business activities in Woreta City South Gondar for the last 5 year was taken for the study by using purposive sampling technique. The study used the regression model and collect data from Twelve (12) MSEs covering the period of Five (5) consecutive years, 2013, 2017 with a total of 60 observations. To this end, the study employed a quantitative research approach by using financial statement (both statement of profit and loss and statement of financial position) that reported to revenue office.

The study used panel data and E-view 8 software. The study used one dependent variable return on asset (ROA) and six independent variables; firm's size, current ratio, cost income ratio, fixed

asset turnover ratio and debt ratio. The findings of regression result revealed that explanatory variables firm's Size and Cost Income Ratio had a negative significant effect on profitability and growth of SMEs but Current ratio and Debt Ratio had a negative insignificant effect on profitability and growth of MSEs whereas Fixed Asset Turnover Ratio had positive significant effect on performance of profitability of SMEs in Woreta City. Finally, the study recommended that MSEs supervisors, owners, government bodies and future researchers should be given more attention to these variables to reducing the weaknesses of SMEs resource utilization by improving economies of scale.

Tesfaye (2019) was done the study on assessment of factors affecting the growth of micro and small enterprises in Oromia national regional state, Ethiopia. To achieve the research objective the researcher was used under this study were descriptive and explanatory with quantitative and qualitative of research technique. Survey, randomly selected, discussion, were collected from the sampled 119 micro Sample was selected based on the list available from micro and small enterprises promotion bureau of the Dodola district.

Data were analyzed of to examine the variation in the growth of Micro and Small Enterprises related to the variation in each of the independent variables of that significantly affect the growth of MSEs using change in employment size since startup as a measure of firm growth in which about 9.2 percent owner/manager, the age of the owner/ manager, type of customer networking, sound business plan, having formal or informal business market information, and availability of market demand for their products important assets for attaining Micro and Small Enterprises growth in employment size. Government and non-government organizations that are concerned with policy makers, unemployment reduction and poverty alleviation through the promotion and development of MSEs need to talk factors in to account to accomplish better result and increase the potential contribution of MSEs to the economic growth of the country.

Tesfaye and Abebe (2020) were done the study on Association of owner related and external factors with micro and small manufacturing enterprises growth in Ethiopia. To achieve the study objective the researchers were used Primary data were collected from 218 randomly selected owner/operator of manufacturing MSEs and coordinators of MSEs by using structured questionnaire and interview, respectively. Chi-square test was employed to analyze the owner

related/internal factors, and external factors with growth of manufacturing MSEs. The statistical test revealed that gender; initial investment size, modern machinery, training, infrastructure and location have statistically significant association with growth of manufacturing MSEs; whereas age, education level, work premises and market linkage/ access are found to have statistically insignificant association with growth of MSEs operating in the manufacturing sector, though they make difference on the MSEs growth level.

Therefore, to improve the growth of manufacturing MSEs, MSEs development office in collaboration with the municipality, among others, should consider the statistically significant factors and focus on the MSEs' challenges which are stated by the owners of the business (own working premise and market access/linkage) and take corrective actions. Finally, further research on similar area is suggested by considering factors that need solution such as previous experience of operator in the sector, firm age and access to credit; besides similar study on remaining MSEs sector and comparative study may be conducted even within the manufacturing sector as economic sub-sector (i.e., textile and garment, metal working workshop, furniture and wood working, manufacturing bricks etc.) in order to have a holistic understanding of about the determinants of manufacturing MSEs growth.

2.6. Conclusion and Research Gap

A number of studies have been conducted locally and worldwide to examine the factors that influence the financial success of micro and small businesses, but none have taken a comprehensive approach. There have been a few studies, but the most of them have concentrated on the factors affecting MSE performance rather than the factor affecting of MSE financial performance. The majority of these studies focused on their own aims and subject topics. The following research gap has been identified based on the aforementioned literature evaluation. The previous studies show that different researchers on similar areas of research are justifying part of those studies by stating that the conclusions are still controversial among different academics. As a result, we're investigating financial performance indicators in small and micro firms where there appears to be a disparity in the data. Some variables are significant in one study but not in another. Furthermore, a previous empirical study revealed that the factors of micro and small firm financial performance differ by country. This suggests that studies on the

financial success of micro and small company's determinants in countries with similar cultures haven't yielded any general results. Ethiopia is a great example of this situation. As a result, this research attempted to fill a research void that had not been addressed by any earlier studies. This study is needed to fill the literature gap regarding the factor affecting of financial performance of small and micro enterprises and contribute to the body of knowledge in Robe Towns, specifically problems associated with factor affecting of financial performance of small and micro enterprises in Robe Towns.

2.7. Conceptual Framework

Conceptual framework means that concepts that relate to one another used to explain the research problem. This study integrates the dimensions of customer handling management to measure its effect on customer loyalty. The influence of these factors to the business performance is very important but it is noteworthy that the management has no (little) control over them. The internal factors that influence the firm's performance can be classified as entrepreneurial skill and managerial capacity. In this study profitability would choose to measure performance of these MSE.

The researcher takes MSE performance as a dependent variable to be explained by the eight independent variables; job knowledge of the manager, entrepreneur skill, managerial skills, financial factor, human capital, business experience, marketing strategy and product quality from literature.

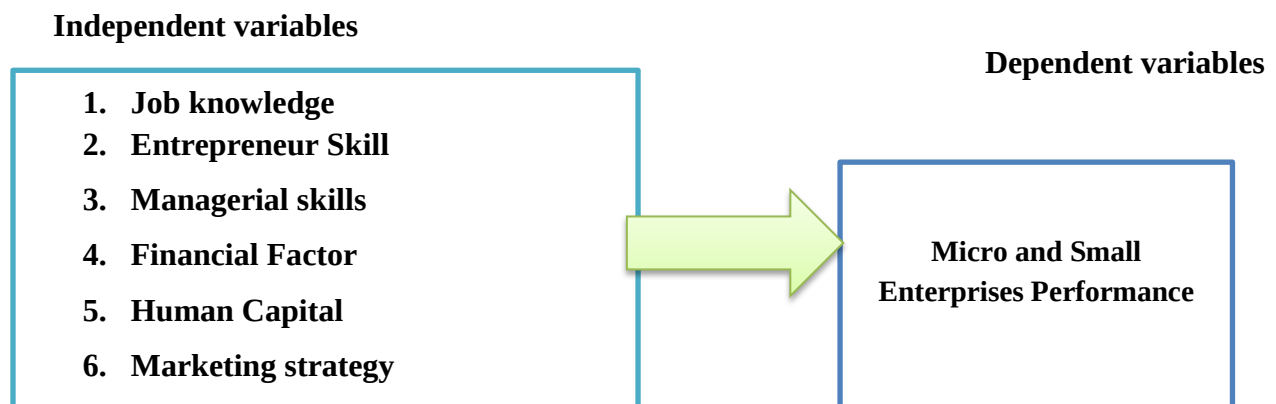


Figure 2 1Conceptual Framework of the study Performance

Source: Researcher own developed from literature, 2024

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter explains the methodological concerns that were used in this study and provides an explanation for each stage. It covers the following topics: general research design, study population, sample size and sampling process, data sources, research instruments, and data analysis and presentation methods.

3.1. Description of the Study Area

Robe is a city in the Oromia regional state, around 430 kilometers south of Addis Ababa. The city was once the administrative center of the Bale Administrative Zone and numerous zonal offices can still be found there. In addition, the city has a large number of Sinana woreda government offices. The city has a long history of commerce. As a result, it has been used as a commerce center. Many occupational groups and wholesalers travel to the city from all over the world for a variety of reasons, including commercial activity. Because of the town's excellent environment, residents live a variety of lifestyles.

According to the basic structural plan developed by Oromia Urban Planning Institute in 2008, the city has a geographical area about 8,023.8 hectares. The settlement is situated between 70 3'30"N and 70 10'45"N, and 390 57'38"E and 400 02'38"E on the Zone-37 map (RUPI, 2016). Sinana woreda kebeles surround the city of Robe. Sambitu is located in the north, Shalo is located in the east, Hawusho is located in the southwest, and Horeboka is located in the south.



Source: Arial Photo Map from Google Earth Satellite, 2024

Figure 2 2 Map of Robe City

3.2. Research Design

In order to capture the logical structure of the study, the researcher used both descriptive and explanatory research design. Descriptive research design helps to portray accurately the characteristics of a particular individual, situation or a group. The descriptive survey research design is appropriate choice, because it is a cross sectional study and the study aimed at measuring internal factors affecting Micro and Small enterprises performance at one time meaning that it won't continue studying stability of the data over time from their company (Creswell, 2003). Also descriptive research permits to investigate the issue of study through looking into the problem by exploring the views of different sets of respondents, as well as by exploring different literatures related with the study. An explanatory designs try to establish cause-and-effect relationships. The primary purpose of explanatory research design is to determine how events occur and which ones may influence particular outcomes.

3.3. Research Approach

In order to answer the study questions, this study adopt both quantitative and qualitative research approach by using a primary data source. In the study, quantitative and qualitative research methods were used. The two stated approaches of research are employed for better understanding of the identified research problems. The rationale behind using mixture methods is that it can serve a large population.

3.4. Source and Types of Data

For the purpose of this study in order to obtain relevant information about the study both primary and secondary data were used. The primary sources of data gathered through questionnaires and interview from MSE members, managers of MSE and team leaders of food security of Robe City. Further, for this study, secondary data gathered from different published and unpublished material, journals, websites and other available sources referred and cited on the study.

3.5. Target Population

Population is the entire group of people, events or things of interest that the researcher wishes to investigate. The target populations of this study comprised Micro and Small enterprises of three

kebeles of Robe City. The researcher selects MSEs which accounts large number of members. Accordingly, Mining, Service and Trade were considered in all the three Kebeles. The target populations for this study were Adoshe welashe: Mining 114; Service 189; Trade 86, Zebela Welashe Kebele: Mining 213; Service 234; Trade 100 and Goba Kebele: Mining 212; Service 280; Trade 120. Therefore, the total population of MSEs was 1548 MSE members of Robe City (Robe town job creation office 2023 G. C).

3.6. Sampling Technique

First the researcher selects MSEs which account large number of members. Accordingly, Mining, Service and Trade were considered in all three Kebeles by purposive sampling. It is not possible to regard as all population as respondents to this survey due to impracticality, time and cost. So, after the size of members of selected MSEs is determined the researcher selected sample members by simple random sampling. According to Gay (1992) random sampling is preferred because it allows all members of the population an equal chance of being included in the study. While managers of sample MSEs and team leaders of Robe City food security office were selected by purposive sampling, due to they are key respondents.

3.7. Sample size Determination

According to Maxwell and Rausch (2008), sample size is the finite elements of a statistical population whose characteristics are researched in order to gain information about the organization. Therefore, to determine the sample size of member's the researcher used the formula (Yamane, 1967);

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

Where: **n**=sample size,

N=Population size=1548 and

e=sampling error/level of precision=5%

$$n = \frac{1,548}{1+1,548(0.05^2)}deff$$

$$n = \frac{1,548}{4.87} = 317.9 \text{ which is approximately } 318$$

Therefore, 318 members were selected as the sample for this study. Finally, after the size of sample members are determined, by proportional probability calculation $= n/N = 201/403 = \%$ of member samples were selected from each sample MSEs by simple random sampling technique to avoid bias and also make sure the representativeness. The sample size is 318.

Table 3 1 Sample size distribution table

S.N	Kebels in Robe City	Sectors	Population (Number of MSEs members)	Sample
1	Adoshe welashe	Mining	114	114/1548*318=23
		Service	189	189/1548x318= 39
		Trade	86	86/1548x318= 17
2	Zebela Welashe	Mining	213	213/1548x318= 44
		Service	234	234/1548x318= 48
		Trade	100	100/1548x318= 20
3	Goba	Mining	212	212/1548*318=44
		Service	280	280/1548x318= 58
		Trade	120	120/1548x318= 25
Total			1,548	318

3.7. Data Collection Tools

For primary data collection, questionnaires distributed to 318 MSEs members. Questionnaires are taken as a preferable data-gathering tool for this research because of the fact that the researcher used to collect information on facts and attitudes from a wide range of sources. The questionnaire designed to participants has freedom to express their views in response to the question asked without any influence or clues from the researcher. The questionnaires developed from previous empirical literature with slight adjustment to best fit with the existing situation of the study. The type of questions raised in the questionnaire consists closed- ended questions that

were measured by a five-point Likert scale (1=Strongly Disagree, 2=Disagree, 3=Moderate agree, 4= Agree and 5=Strongly Agree). The questionnaire consists of eight parts with fixed response alternative that require the respondent to select a predetermined set of answers to every question. According to Creswell (2009), the use of a Likert scale makes it easier to grasp and reduces misunderstanding when respondents read and answer the questionnaire.

On the other hand, semi structure items prepared for the above respondents. The reason behind the semi-structured interview items are the advantages of flexibility in which new questions could be forwarded during the interview based on the responses of the interviewee. With this in mind, interview conducted with 9 MSEs managers and 4 team leaders of selected sample office.

3.8. Validity and Reliability

3.8.1. Validity

Validity is the strength of the conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement (Kothari, 2004). Generally in the study the researcher tried to assured validity. The first thing that the researcher done is adopted the questionnaire from previous other studies and some questions were improved according the objective of this study. The other method to check the validity of the questionnaire has been conducted by using pilot test. The researcher tested the questionnaire to see if it obtains the result that is required for the study. Accordingly pilot test conducted on 5 experts of food security of Robe City, which is not included in the study. Based on suggest idea some modification on uncertain word in the questionnaire would be corrected. Finally, the collected data inserted into data set and make ready for data analysis and discussion by using statistical software application programs SPSS version20.

3.8.2. Instrument Reliability

Reliability refers to the extent to which the data collection techniques yield consistent findings. According to Kothari (2004), internal consistency reliability is a measure of consistency between different items of the same construct. Cronbach's alpha is a reliability measure designed by Lee Cronbach. Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. For testing the reliability of the data instrument, Cronbach's Alpha calculated to test the reliability of

the research instrument. Ideally, the Cronbach's alpha coefficient of a scale should be above 0.70. Thus, coefficient alpha value for this study was 0.80, so the instrument was reliable to apply for the current study.

3.9. Methods of Data Analysis

In order to ensure logical competence and consistency of responses, data editing carried out by the researcher. The items grouped based on the responses given by the respondents and coded. The completed questionnaires analyzed for reliability and then coded. Once editing has done, data analyzed quantitatively using statistics package for social scientists SPSS version 20. The data analyzed using descriptive statistical tools such as mean, frequency, standard deviation and percentages through SPSS version 20 used for analysis. Representations like tables used to ensure easy and quick interpretation of data. The descriptive statistics, mean, standard deviation, frequency used to assess the demographic profile of the respondents to make the analysis more meaningful, clear and easily interpretable.

Further, the correlation analysis used to show relationship between the dependent variable SME performance and independent variable (job knowledge of the manager, entrepreneur skill, managerial skills, financial factor, human capital and marketing strategy). The multiple linear regression analysis used to describe the variation in the dependent variable as a result of variation in the independent variable in order to determine the main research objective of this study.

3.9.1. Regressions model

Regression is the determination of a statistical relationship between two or more variables. The functional relationship between variables in this study is therefore, the dependent variable (MSE performance) and the independent variables (job knowledge of the manager, entrepreneur skill, managerial skills, financial factor, human capital and marketing strategy).

The regression equation, assumed the following regressions multi regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

Y= Dependent variable is MSE performance,

Whereas the independent variables, are identified as X₁.Job knowledge, X₂.Entrepreneurs skill, X₃.Managerial skill, X₄.Financial Factor, X₅.Human Capital and X₆. Marketing strategy.

β_0 = Constant, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 = Regression coefficients or Change included in Y by each X value and e = error term. On the other hand, the qualitative data collected from the respondents through interviews questions analyzed using descriptive narrations through concurrent triangulation strategy.

3.9.2. Operational Definition of Variable

Dependent Variable: The MSE performance is measured by financial indicator include Profitability, good Sales turnover and good progress in reducing unemployment rate

Table 3 2 Definition of variable

Variables	Measurement
Dependent Variable:	Five likert scale
MSE performance	
Independent Variables	
Job knowledge	Five likert scale
Entrepreneur Skill	Five Likert scale
Managerial skills	Five Likert scale
Financial Factor	Five l Likert scale
Human Capital	Five Likert scale
Marketing strategy	Five Likert scale

3.10. Ethical Consideration

In order to keep the confidentiality of the data that is gathered from the respondents, the respondents were not required to write their name and they are assured the anonymity and confidentiality of their response. The purpose of the study disclosed in the introduction part of

the questionnaire. Furthermore, the researcher tried to avoid misleading statements in the questionnaire. Lastly, the questionnaires are handed out up on their consent only. All research works that have contributed in any way to this study were properly acknowledged and appreciated. Moreover, a piece of information (legal letter) from university that described about the purpose of the research showed for the participant and organization that needs to know about the detail information of the research.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1. Introduction

The general objective of the study was to assess internal factors affecting Micro and Small Enterprises performance in case of Robe City. In order to make the collected data suitable for the analysis, all questionnaires were screened for completeness. Hence incomplete questionnaires were considered as errors and removed from the survey data. For primary data collection, questionnaires distributed to 318 members. Accordingly, the data was collected from 294 members. Therefore, the return rates of the questionnaires were 92.4% for respondents. Babbie (2004) asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars, the response rate for this study is very good.

Demographic profiles were analyzed using descriptive statistics, simple statistical tools such as tables and percentages. Moreover, charts were also used to describe the general characteristics of respondents. Mean and Standard Deviations of the respondent scores were also compute to analyze respondents view. Further, using inferential statistics, Pearson Product Moment Correlation Coefficient and multiple regressions were used to analysis the data in the study.

In order to determine the degree of agreement of each of the respective specific objectives, the following mean ranges were used as a cut point. Accordingly the resulted mean scores were classified in ranges to fit the five-scaled Likert's level of agreement. Therefore, based on five-scaled Likert's level of agreement, strongly disagree, disagree, moderate agree, agree, and strongly agree level of agreement on each item for all variables under study were determined based on Motwani (2014) classification.

Table 4 1 Mean score range for Five-Scale Likert's response

Mean	Level of agreement
From 1.00 to 1.8	Strongly disagree
From 1.81 to 2.6	Disagree
From 2.61 to 3.4	Moderate agree
From 3.41 to 4.2	Agree
From 4.21 to 5.0	Strongly agree

Source: (Adapted from Motwani, 2014)

4.2. Demographic Profile of Respondents

This section consists of information that described basic characteristics such as gender, age, level of education and lengths of member. Consequently the respondents were asked to indicate their gender. First as it indicated in figure below 189 (64.3%) of members of the enterprise were male while 105 (35.7%) of members of the enterprise were female. This implies that the member at enterprise are male dominated.

Table 4 2 . Respondent characteristics by Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	189	64.3	64.3	64.3
	Female	105	35.7	35.7	100.0
	Total	294	100.0	100.0	

Source: Own survey data (2024)

In table 4.3, the majority 134 (45.6%) of the employee respondents were in between the age ranges of 21-35 years, followed by 88 (13.3%) of the employee respondents were in between the age ranges of 36-50 years. While 39 (13.3%) of the employee respondents were in under 20 years. The remaining 33 (11.2%) of the employee respondents were 50 and above years old. This indicates that there is a potential advantage for working by young MSEs members especially to achieve future objectives of the MSEs strategy.

Table 4 3 Respondent characteristics by Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 20 years	39	13.3	13.3	13.3
	21 – 35 years	134	45.6	45.6	58.8
	36 - 50 years	88	29.9	29.9	88.8
	Over 50 years	33	11.2	11.2	100.0
	Total	294	100.0	100.0	

Source: own survey data (2024)

In terms of level of education, as it indicated in figure 4.4, Individual education levels are quite important when beginning a new firm. Thus, those who took entrepreneurship classes appear to be more interested in beginning a firm. According to the poll results, 31.3% of respondents had a degree or higher education, while 26.9% and 21.4% had a diploma or certificate. While 11.2% and 9.2% of respondents had completed high school and could read and write, respectively. This could indicate that the majority of MSE owners have a strong academic background, which can help them reach their goals. This suggests that, it is a good advantage for the MSEs because nowadays the MSEs is a highly competitive situation.

Table 4 4 Respondent characteristics by job knowledge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Read and write	27	9.2	9.2	9.2
	High school completes	33	11.2	11.2	20.4
	Certificate	63	21.4	21.4	41.8
	Diploma	79	26.9	26.9	68.7
	Degree and above	92	31.3	31.3	100.0
	Total	294	100.0	100.0	

Source: Own survey data (2024)

As it indicated in table 4.5 in terms of lengths of members, majority 80(27.2%) of MSEs Members were in between 11-15 years, while 71 (24.1%) MSEs Members were in between 6-10 years. Whereas 66 (22.4%) MSEs Members were in between 16-20 years' experience. Generally, MSEs members are knowledgeable about the job characteristics practices which in turn contribute a lot in securing employee job performance.

Table 4 5 Respondent characteristics by work experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	38	12.9	12.9	12.9
	6-10 years	71	24.1	24.1	37.1
	11-15 years	80	27.2	27.2	64.3
	16-20 years	66	22.4	22.4	86.7
	greater than 20	39	13.3	13.3	100.0
	Total	294	100.0	100.0	

Source: own survey data (2024)

Nature of the MSEs: The nature of the business refers to the type of operations that the owners ran, such as manufacturing, construction, urban agriculture service, and commerce. According to the findings, 37.4 percent of the target firms in the study region were service enterprises, 32% were trade enterprises, 15.3% were construction, 9.9% were manufacturing, and 5.4% were urban agriculture (Table 4.6). The findings reveal that commerce and service enterprises are the leading enterprises in the research area. This is due to the ease with which trade and service enterprises can be established, which could be attributed to the fact that service businesses accommodate diverse generalized skills and require a lower initial investment capital than manufacturing and urban agriculture businesses, which have relatively high entry barriers.

Table 4 6 Respondent characteristics Business Operating

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	29	9.9	9.9	9.9
	Construction	45	15.3	15.3	25.2
	Urban Agriculture	16	5.4	5.4	30.6
	Service	110	37.4	37.4	68.0
	Trade	94	32.0	32.0	100.0
	Total	294	100.0	100.0	

Source: own survey data (2024)

4.2. The current level of MSEs performance

This section was intended to assess member's opinion on the current level of MSEs performance. Accordingly, six questions were prepared. Descriptive statistics (Mean and Standard deviation) were employed, which was measured using the Five-Point Likert Scale. Thus, the views of the respondents were presented in table below.

Table 4 7 Respondents view on the current level of MSEs performance

SN		Mean	Std. Deviation
1	The MSEs showed improvement in profitability in 2023 audit year	3.9728	.488802
2	The MSEs showed an improvement in total assets/base assets in 2023audit year	3.8980	.57519
3	The MSEs has showed an improvement in customer satisfaction	3.9320	.65743
4	The MSEs has showed an improvement in enrolment of members	3.9694	.73137
5	The MSEs has showed an improvement in loans repayment issued	3.8605	.69440
6	The MSEs has showed an improvement in rate of dividend fund	3.8707	.75967
	Grand Mean	3.917234	0.651014

Source: Own Survey Data (2024)

In item 1 of table 4.7, the members agree with the opinion the organization showed improvement in profitability in 2023 audit year with mean value 3.9728. In item 2, the members responded agree to the opinion the organization showed an improvement in total assets/base assets in 2023

audit year with mean score 3.8980. Further, in item 3 of table above, the members also agree to the opinion the organization has showed an improvement in customer satisfaction with mean score' of 3.9320.

In item 4, the respondents agree to the opinion the MSEs has showed an improvement in enrolment of members with a mean score of 3.9694. In item 5, the members also agree the opinion the MSEs has showed an improvement in loans repayment issued with a mean score of 3.8605. In item 6, the respondents also agree to the opinion the MSEs has showed an improvement in rate of dividend fund with a mean score of 3.8707.

Further, as it indicated in table 4.7, the overall response for the six items indicated the mean value is 3.917234. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of agree, so one can concluded that the current level of MSEs performance was at good level. The informants through interview also confirmed the fact level of MSEs performance was in good progress.

4.2.1. Factors affecting the performance of MSEs performance

This section was intended to assess factors affecting performance of MSEs: Case of Robe City. Accordingly, questions were prepared on each factors affecting performance of MSEs that were job knowledge, entrepreneur skill, a managerial skill, financial factor, human capital and marketing strategy and MSEs performance. For this purpose, descriptive statistics (Mean and Standard Deviation) were employed, which was measured using the Five-Point Likert Scale. Thus, the views of the respondents were presented in the tables below.

Table 4 8 Respondents view on job knowledge of MSE

SN		Mean	Std. Deviation
1	MSEs societies has attain basic literacy skills that enable them to act efficiently in MSEs job	2.0169	.60202
2	Continuously training is arranged in MSEs for the member's	2.2432	.92880
3	Manager has knowledge and act efficiently in MSEs job	1.6926	.46221
4	The workforce adequately educated in MSEs matters	1.9628	.56024
5	The diversity of the work profession were involved in MSEs function	1.8378	.61676
	Grand Mean	1.9507	.32625

Source: Own Survey Data (2024)

In item 1 of table 4.9, the members disagree with the opinion MSEs societies has attain basic literacy skills that enable them to act efficiently in MSEs job with mean value 2.0169. In item 2, the members disagree to the opinion continuously training is arranged in MSEs for the member's with mean score 2.2432. Further, in item 3 of table 4.4, the members also disagree to the opinion manager has knowledge and act efficiently in MSEs job with mean score' of 1.6926. In item 4, the members disagree to the opinion the workforce adequately educated in MSEs matters with a mean score of 1.9628. In item 5, the members also disagree the opinion the diversity of the work profession were involved in MSEs function with a mean score of 1.8378.

As it indicated in table 4.9 the overall response for the five items indicated the mean value is 1.8378. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of disagree, so one can concluded that MSEs members job knowledge was at poor level. In support with the finding respondents through interview respond that small business owners would be less likely to seek to attain a formal schooling than those holding managerial positions in larger organizations.

Table 4 9 Respondents view on entrepreneur skill

SN		Mean	Std. Deviation
1	Members have high consistency towards achieving their goals	3.6054	.91299
2	Entrepreneur has creativity, flexibility and adaptability to new ideas	3.5918	.85266
3	Entrepreneur has the readiness to learn, to improve and to change	3.3061	1.00587
4	Entrepreneur has tolerance to work hard	3.5714	.85462
5	Entrepreneur has initiative to assess ones strengths and weakness	3.3061	.99220
6	Members passion to work for reasons that go beyond money	3.4762	.90001
	Grand Mean	3.476167	0.919725

Source: Own Survey Data (2024)

In item 1 of table above, the members agree with the opinion members have high consistency towards achieving their goals with mean value 3.6054. In item 2, the members agree to the opinion entrepreneur has creativity, flexibility and adaptability to new ideas with mean score

3.5918. Further, in item 3 of table above, the members also moderate agree to the opinion entrepreneur has the readiness to learn, to improve and to change with mean score' of 3.3061. In item 4, the members agree to the opinion entrepreneur has tolerance to work hard with a mean score of 3.5714 In item 5, the members also moderate agree the opinion the entrepreneur has initiative to assess one's strengths and weakness with a mean score of 3.3061 In item 6, the members also agree the opinion member's passion to work for reasons that go beyond money with a mean score of 3.4762.

As it indicated in table 4.10 the overall response for the six items indicated the mean value is 3.476167. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of agree, so one can concluded that MSEs members has good entrepreneur skill. In support with the finding respondents through interview respond that entrepreneurial personality has need for achievement, locus of control, motivation, risk-taking propensity, and self-efficacy.

Table 4 10 Respondents view on managerial skills

SN		Mean	Std. Deviation
1	The talent in managing relationships and building networks; and an aptitude to find universal ground and build rapport	3.7789	.76312
2	Manager having good social skills are also good at managing change and resolving conflicts diplomatically	3.6735	.81088
3	Manager control unnecessary exposure of emotions on workplace and use judgment and self-intelligence	3.8095	.57636
4	Manager has skill in selection of business partners	3.6531	.74954
5	Manager has strategic business planning	3.8707	.52607
6	Manager know-how on factors do have effect on their business	3.8707	.52607
7	Manager has basic managerial function that important in improving business performance of SME	3.9150	.44058
	Grand Mean	3.795914	0.627517

Source: Own Survey Data (2024)

In item 1 of table 4.11, the members agree with the opinion their talent in managing relationships and building networks; and an aptitude to find universal ground and build rapport with mean value 3.7789. In item 2, the members agree to the opinion manager having good social skills are

also good at managing change and resolving conflicts diplomatically with mean score 3.6735. In item 3 of table above, the members also agree to the opinion manager control unnecessary exposure of emotions on workplace and use judgment and self-intelligence with mean score' of 3.8095.

Further, in item 4, the members agree to the opinion manager has skill in selection of business partners with a mean score of 3.6531. In item 5, the members also agree the opinion the manager has strategic business planning with a mean score of 3.8707. In item 6, the members also agree the opinion manager know-how on factors do have effect on their business with a mean score of 3.8707. Finally in item 7, the members also agree the opinion manager has basic managerial function that important in improving business performance of SME with a mean score of 3.9150.

As it indicated in table 4.11, the overall response for the seven items indicated the mean value is 3.795914. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of agree, so one can concluded that MSEs has good managerial skills.

In support with the finding respondents through interview respond that SMEs has Managerial competencies. The respondents added that small business owner-managers have very basic understanding of financial and accounting information and have serious problems with financial planning literacy.

Table 4 11 Respondents view on Financial Factor

SN		Mean	Std. Deviation
1	Shortage of working capital	2.0000	.62376
2	High interest rate by lending institutions	1.9150	.49182
3	High collateral requirement from lending institutions	2.4422	.70230
4	Lack of access to credit institutions	2.3299	.70830
5	Established an efficient financial planning system	2.5986	1.03627
	Grand Mean	2.0000	.62164

Source: Own Survey Data (2024)

In item 1 of table 4.12, the members disagree with the opinion there is shortage of working capital in the sample MSEs with mean value 2.0000. In item 2, the members disagree to the opinion there is high interest rate by lending institutions with mean score 1.9150. In item 3 of

table above, the members also disagree to the opinion there is high collateral requirement from lending institutions with mean score' of 2.4422. Further, in item 4, the members disagree to the opinion there is lack of access to credit institutions with a mean score of 2.3299. In item 5, the members also disagree the opinion MSEs established an efficient financial planning system with a mean score of 2.5986.

Further, as it indicated in table 4.12 the overall response for the five items indicated the mean value is 2.0000. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of disagree, so one can concluded that MSEs has no constraints of financial factor.

In support with the finding respondents through interview respond that SME has access to finance. The respondents added that however, young firms of small size face greater obstacles when they seek to obtain financial resources, it is noted that mostly of the SMEs rely on internal finance, such as existing cash, contribution from the owners, family and relatives.

Table 4 12 Respondents view on Human Capital

SN		Mean	Std. Deviation
1	Collaboration among members is encouraged in MSEs	1.9966	.53223
2	Incentive arranged for best performer of the member	3.0272	.98067
3	Applicability of policy, procedure related to human resource management	3.9830	.12952
	Grand Mean	3.0023	.54747

Source: Own Survey Data (2024)

In item 1 of table 4.13, the members disagree with the opinion collaboration among members is encouraged in MSEs with mean value 1.9966. In item 2, the members moderate agree to the opinion the incentive arranged for best performer of the member with mean score 3.0272. In item 3 of table above, the members also agree to the opinion applicability of policy, procedure related to human resource management with mean score' of 3.9830.

As it indicated in table 4.8 the overall response for the seven items indicated the mean value is 3.0023. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, means score was in the

range of moderate agree, so one can concluded that MSEs has average human capital. In support with the finding respondents through interview respond that average of the successful micro enterprises was characterized by qualities such as innovativeness, specialization and networking in their daily operations.

Table 4 13 Respondents view on marketing strategy

SN		Mean	Std. Deviation
1	Strong established market network	3.7245	.75425
2	Price set for the product/service is fair/affordable	3.7755	.61044
3	MSEs shop accessible to customer	3.7755	.90351
4	MSEs provide quality product for the customer	3.8673	.66565
5	Strong promotion to attract potential users	3.6633	.86585
6	Adequate market for the product of MSEs	3.7993	.68916
	Grand Mean	3.767567	0.7481433

Source: Own Survey Data (2024)

In item 1 of table 4.14, the members agree with the opinion strong established market network with mean value 3.7245. In item 2, the members agree to the opinion the price set for the product/service is fair/affordable with mean score 3.7755. In item 3 of table above, the members also agree to the opinion MSEs shop accessible to customer with mean score of 3.7755.

In item 4 of table above, the members agree with the opinion MSEs provide quality product for the customer with mean value 3.8673. In item 5, the members agree to the opinion there is strong promotion to attract potential users with mean score 3.6633. In item 6 of table above, the members also agree to the opinion there is adequate market for the product of MSEs with mean score of 3.7993.

As it indicated in table 4.14 the overall response for the seven items indicated the mean value is 3.767567. The higher the mean score, the more that respondent agreed with the statement and vice versa. Therefore; the result based on Motwani, (2014) classification, means score was in the range of agree, so one can conclude that MSEs have good marketing strategy. In support with the finding respondents through interview respond that MSE identified new prospects, showing effective corporate positioning, customer handling, finding ways to efficiently advertise, and the ability to come up with new ideas. The respondents added that MSE has better quality planning that assists managers seeking to implement a market orientation to achieve their goal.

4.3. Correlation Analysis

This study employed the correlation analysis, which investigates the strength and direction of relationships between the studied variables. Strength refers to the larger absolute value of the coefficient. A value of 0 indicates the absence of a relationship whereas direction refers to the sign of the coefficient indicates the direction of the relationship. If both variables tend to increase or decrease together, the coefficient is positive. If one variable tends to increase as the other decreases, the coefficient is negative. For correlations purposes, the guidelines developed by Collins and Jiao, (2007) suggest to determine the strength of the relationship. The Pearson's correlation coefficients illustrated in table below.

$r = 0.10$ to 0.29 or $r = -0.10$ to -0.29 small

$r = .30$ to $.49$ or $r = -0.30$ to -0.49 medium

$r = .50$ to 1.0 or $r = -0.50$ to -1.0 large

Table 4 14 Pearson correlation Correlations result

		MSE performance (DV)	Educational level (IDP1)	Human capital (IDP2)	Financial factor (IDP3)	Entrepreneur skill (IDP4)	A managerial skill (IDP5)	Marketing strategy (IDP6)
MSE performance(DV)	Pearson Correlation	1	.163**	.053	-.004	.584**	.312**	.653**
	Sig. (2-tailed)		.005	.361	.946	.000	.000	.000
	N	294	294	294	294	294	294	294
job knowledge (IDP1)	Pearson Correlation	.163**	1	.034	-.017	.072	.221**	.076
	Sig. (2-tailed)	.005		.560	.771	.219	.000	.193
	N	294	294	294	294	294	294	294
Human capital(IDP2)	Pearson Correlation	.053	.034	1	.274**	.228**	.080	.034
	Sig. (2-tailed)	.361	.560		.000	.000	.170	.565
	N	294	294	294	294	294	294	294
Financial factor(IDP3)	Pearson Correlation	-.004	-.017	.274**	1	.232**	-.033	.056
	Sig. (2-tailed)	.946	.771	.000		.000	.568	.342
	N	294	294	294	294	294	294	294
Entrepreneur skill(IDP4)	Pearson Correlation	.584**	.072	.228**	.232**	1	.257**	.478**
	Sig. (2-tailed)	.000	.219	.000	.000		.000	.000
	N	294	294	294	294	294	294	294
A managerial skill(IDP5)	Pearson Correlation	.312**	.221**	.080	-.033	.257**	1	.222**
	Sig. (2-tailed)	.000	.000	.170	.568	.000		.000
	N	294	294	294	294	294	294	294
Marketing strategy(IDP6)	Pearson Correlation	.653**	.076	.034	.056	.478**	.222**	1
	Sig. (2-tailed)	.000	.193	.565	.342	.000	.000	
	N	294	294	294	294	294	294	294

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

Source: Own Survey Data (2024)

From the analysis, it is noted that the marketing strategy had large positive correlation with the MSEs performance ($r = 0.653$, $p=0.000$) and so it is likely that this variable would best predict MSEs performance. The table also indicated the entrepreneur skill had large positive correlation with MSEs performance ($r=0.584$, $p=0.000$) and so it is likely that this variable also predicts largely MSEs performance. In table above, the predictor managerial skills had moderate positive correlation with the MSEs performance ($r = 0.312$, $p=0.000$) and so it is likely that this variable would moderately predict the MSEs performance. Further, in table above, the predictor job knowledge had moderate positive correlation with the MSEs performance ($r = 0.163$, $p=0.005$) and so it is likely that this variable would weakly predict the MSEs performance. On the other hand, in table above, the predictor financial factor($r = 0.004$, $p=0.946$), and human factor($r = 0.053$, $p=.361$) it can see that there is no relationship between the financial factor and human factor and MSEs Performance.

4.4. Basic Assumption for Multiple Regression Analysis

Before, multiple regression analysis employed, in order to ensure the appropriateness of the outputs from the regression analysis; three assumptions of multiple regressions were checked. Accordingly, in the first case, it is checked the assumption of multi collinearity. Accordingly, from the table below it can see that the multicollinearity tests by computing tolerance values and Variance Inflation Factor (VIF) for each independent variables are not highly correlated with each other, tested using VIF/Variance Inflation Factor and tolerance. In this case, all the tolerance values are greater than 0.1 and VIF is less than 10. Hence, the researcher assumed Multicollinearity was not a problem so that regression analysis can be conducted. If the results of VIF are below 10 and the tolerance value greater than 0.1 then the Multicollinearity test conducted for both models as it indicated in table below.

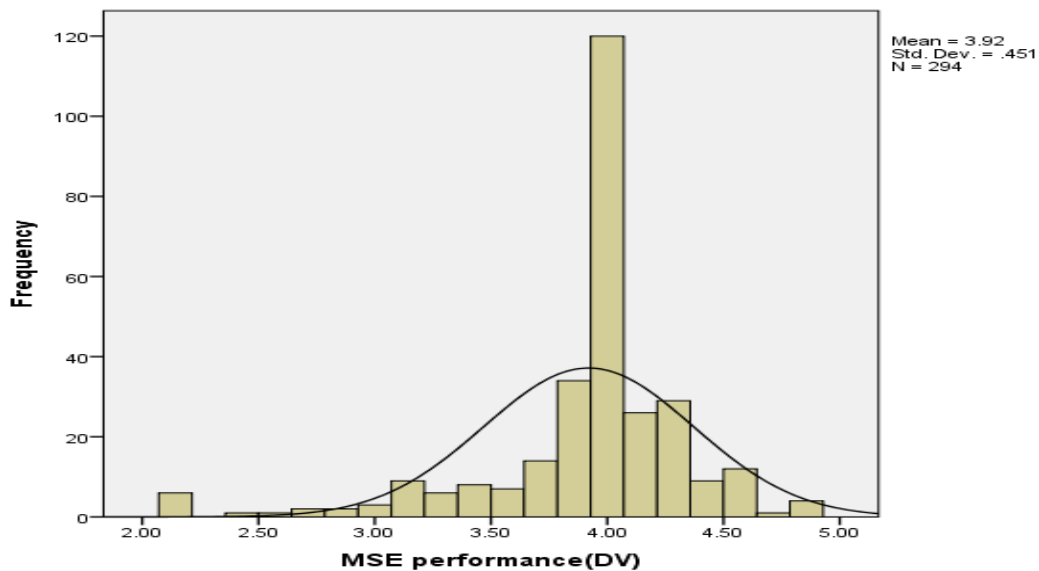
Table 4 15 Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Job knowledge	.950	1.053
	Human Capital	.888	1.126
	Financial Factor	.883	1.133
	Entrepreneur Skill	.680	1.471
	Managerial skills	.873	1.146
	Marketing strategy	.753	1.328

Source: Own Survey Data (2024)

In the second case, it is checked the assumption on normality. To check the assumption histogram was used to test the assumption that residuals are normally distributed. Since a histogram of sample data produce a perfectly smooth normal curve like the one displayed over the figure below. As long as the data is approximately normally distributed, with a peak in the middle and fairly symmetrical, the assumption of normality has been met.

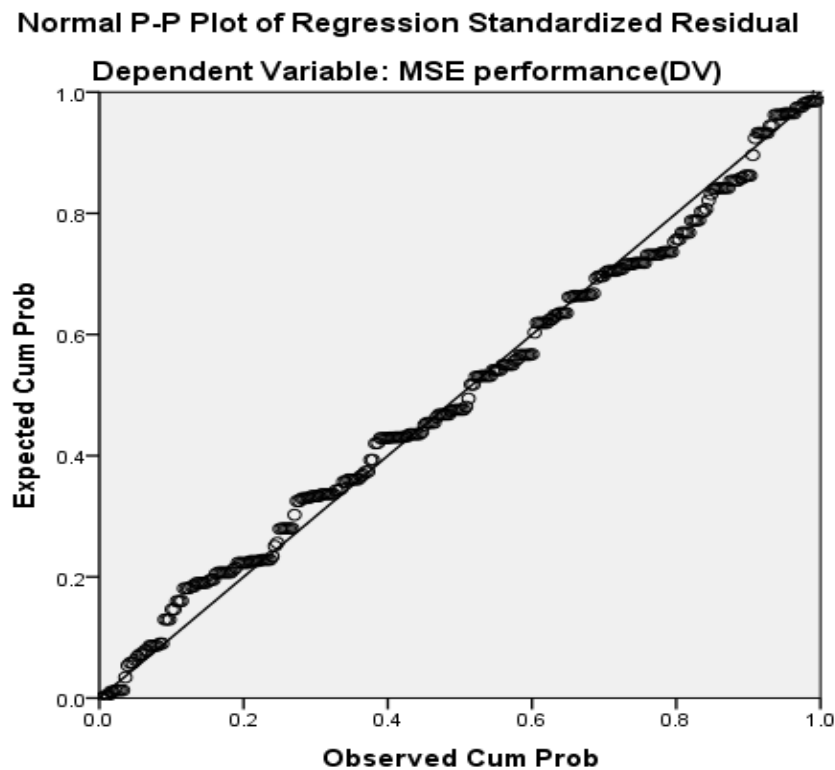
Figure 4 1 Histogram with normal curve plotted (SPSS output)



Source: Own Survey Data (2024)

In the third case it is checked the assumption of linearity. The plot below is a check on linearity; the plotted points should follow the straight line. Serious departures would suggest that linearity assumption is not met. Here we have no major cause for concern, which shows that no violation of linearity, so the assumption is met.

Figure 4 2 Linearity test



Source: Own Survey Data (2024)

4.5. Multiple Regression Analysis Result

After all the assumptions were complied with, the multiple regressions analysis was carried out. Regression analysis shows how dependent variable is influenced with independent variables. The following section presents the outcomes of regression analysis. A multiple regression analysis was conducted to generate model of fitness, analysis of the variance and regression coefficients. The results of the multiple regressions are shown in table below.

Table 4 16 Model Summery

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 ^a	.554	.544	.30439

Source: Own Survey Data (2024)

As shown in the above table the overall bundle of the independent variables explains 54.4% ($R^2 = 0.544$) of the dependent variable (MSEs performance). This suggests that the model or the predictor variables have accounted for 54.4 % of the variance in the criterion variable (MSEs performance), while the remaining 45.6 % is determined by other unaccounted factors in this study.

Table 4 17 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	32.968	6	5.495	59.305	.000 ^b
	Residual	26.591	287	.093		
	Total	59.559	293			

Source: Own Survey Data (2024)

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. Accordingly, this model is significantly explaining relationship between predictor's variables and dependent variable.

Table 4 18 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.903	.272		3.320	.001
Job knowledge (IDP1)	.110	.056	.079	1.963	.051
Human capital(IDP2)	-.033	.050	-.028	-.660	.510
Financial factor(IDP3)	-.122	.050	-.102	-2.428	.016
Entrepreneur skill(IDP4)	.310	.041	.364	7.616	.000
A managerial skill(IDP5)	.129	.056	.098	2.310	.022
Marketing strategy(IDP6)	.426	.042	.457	10.063	.000

Source: Own Survey Data (2024)

From the above table above, it can easily compare the relative contribution of each of the different variables by taking the beta value under the standardized coefficients. The higher the beta value, the strongest its contribution becomes. Accordingly, marketing strategy(Beta=0.457) with p=000) makes the strongest contribution to explaining the dependent variable in which the results revealed that, a one-unit positive change in marketing strategy would lead to a 0.457 unit positive changes on MSEs performance.

Further, entrepreneur skill (Beta=0.364 with p=000) makes the medium contribution to explaining the dependent variable in which the results revealed that, a one-unit positive change in entrepreneur skill would lead to a 0.364-unit positive changes on MSEs performance followed by managerial skills (B=.098 with p=0.022). financial factor (Beta=-0.102 with p=0.016) has negative impact on MSEs performance. However, job knowledge (Beta=.079 with p=.051) and human capital (Beta=-.028with p=0.51) has no significant effect on MSEs performance as it is explained by the significance level $P > 0.05$.

In general, as table above clearly shows, among the six factors, multiple linear regressions (Standardized Beta coefficients) analysis revealed that marketing strategy is the most significant factor affected the MSEs performance followed by entrepreneur skill, managerial skills, financial factor respectively, but job knowledge, human capital has no significant effect on MSEs performance as it is explained by the significance level $P > 0.05$.

The study found that marketing strategy makes the strongest contribution to explaining the dependent variable in which the results revealed that, a one-unit positive change in marketing strategy would lead to a 0.457-unit positive changes on MSEs performance. Further, entrepreneur skill makes the medium contribution to explaining the dependent variable in which the results revealed that, a one-unit positive change in entrepreneur skill would lead to a 0.364 unit positive changes on MSEs performance followed by managerial skills and financial factor (Beta=-0.102 with $p=0.016$) makes the strongest contribution to explaining the dependent variable in which the results revealed that, a one-unit decrease change in financial factor would less by -0.102 unit negative changes on MSEs performance.

However, job knowledge and human capital has no significant effect on MSEs performance.

In general the study clearly shows, among the six factors, marketing strategy is the most significant factor affect MSES performance followed by entrepreneur skill, managerial skills and financial factor respectively. Deksiso (2018) was done the study on Assessment of the factors affecting the performance of micro and small-scale enterprise: The case of Wolkite City, Guraghe zone, Southern Ethiopia. This paper focuses on determining the influence of factors like age, sex, family size, access to business information, access to, access to financial services and access to managerial skills on the performance of micro and small-scale enterprises. Especially, access to infrastructure and low-level education are the main factors that are affecting the performance of micro and small-scale enterprises in this City. On the other hand, job knowledge, human capital and financial factor has no significant effect on MSEs performance as it is explained by the significance level.

Table 4 19 Summary of testing hypothesis

No	The effect of	Hypothesis	Result	Conclusion
H1	Job knowledge (IDP1)	Positive effect and significant	positive effect and insignificant	Rejected
H2	Human capital(IDP2)	Positive effect and significant	Negative effect and insignificant	Rejected
H3	Financial factor(IDP3)	Negative effect and significant	Negative effect and significant	Accepted
H4	Entrepreneur skill(IDP4)	positive and significance impact	positive and significance impact	Accepted
H5	managerial skill(IDP5)	positive and significance impact	Positive and significance effect	Accepted
H6	Marketing strategy(IDP6)	Positive and significance impact	Positive and significance effect	Accepted

CHAPTER FIVE

5. SUMMARY OF THE FINDING, CONCLUSION AND RECOMMENDATION

5.1. Summary of the Finding

- ➡ From the demographic characteristics of respondents, majority of members were male respondents. Besides, majority of members who participated on the survey were ranging from 21 – 35 years of age. Regarding job knowledge, majority of members were first degree holder. Further, regarding the MSEs performance, the overall response for the six items indicated the mean value is 3.9199. So, one can concluded that the current level of MSEs performance was at good level.
- ➡ As it indicated in the study regarding job knowledge the mean value is 1.8378. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of disagree, so one can concluded that MSEs members job knowledge was at poor level.
- ➡ As it indicated in the study regarding entrepreneur skill, the overall response indicated the mean value is 3.476167. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of agree, so one can concluded that MSEs members has good entrepreneur skill.
- ➡ As it indicated in the study regarding managerial skill, the overall response for the indicated the mean value is 3.795914. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of agree, so one can concluded that MSEs has good managerial skills.
- ➡ As it indicated in the study on financial factor, the overall response for the five items indicated the mean value is 2.0000. Therefore; the result based on Motwani, (2014) classification, mean score was in the range of disagree, so one can concluded that MSEs has poor financial factor.
- ➡ As it indicated in the study, the overall response for the five items indicated the mean value is 3.0023. Therefore; the result based on Motwani, (2014) classification, means

score was in the range of moderate agree, so one can concluded that MSEs has average human capital.

- ➡ From the study, it can easily compare the relative contribution of each of the different variables by taking the beta value under the standardized coefficients. Accordingly, marketing strategy (Beta=.457) with $p=0.000$ makes the strongest contribution to explaining the dependent variable.
- ➡ Further, entrepreneur skill (Beta=0.364 with $p=0.000$) makes the medium contribution to explaining the dependent variable in which the results revealed that, a one-unit positive change in entrepreneur skill would lead to a 0.364-unit positive changes on MSEs performance followed by managerial skills (B=.098 with $p=0.022$). financial factor (Beta=-0.102 with $p=0.016$) has negative impact on MSEs performance. However, job knowledge (Beta=.079 with $p=.051$) and human capital (Beta=-0.028 with $p=0.51$) has no significant effect on MSEs performance as it is explained by the significance level $P>0.05$.

5.2. Conclusions

This research has tried to explore the internal factors affecting Micro and Small Enterprises performance in case of Robe City. The study found that the current level of MSEs performance was at good level. The study found that MSEs have good marketing strategy. The study also found that MSEs members has good entrepreneur skill. The study concluded that MSEs have good managerial skills. MSEs has good financial factor However, the study concluded that MSEs members job knowledge was at poor level. MSEs has poor financial factor. The study concluded that MSEs have poor human capital.

From the analysis, it is noted that the marketing strategy had large positive correlation with the MSEs performance. The study also indicated the entrepreneur skill had moderate positive correlation with MSEs performance. Further, the predictor managerial skills had small positive correlation with the MSEs performance and financial negative correlation with the MSEs performance. Further, the predictor job knowledge had no correlation with the MSEs performance. Similarly in study the predictor human factor has no relationship between with MSEs Performance.

In general, as table above clearly shows, among the six factors, multiple linear regressions (Standardized Beta coefficients) analysis revealed that marketing strategy is the most significant factor affect MSEs performance followed by entrepreneur skill, managerial skills and financial factor respectively, but job knowledge, human capital has no significant effect on MSEs performance as it is explained by the significance level $P>0.05$.

5.3. Recommendations

Based on the results and conclusions above, here are some possible recommendations were forwarded by the researcher so that it helps the MSEs, government and other policy makers to approach the issue as a result of study.

- ✚ MSEs of Robe City advised to make the access to credit institutions are easy for the members. MSEs of Robe City advised to established an efficient financial planning system
- ✚ MSEs of Robe City advised to collaborate among members is encouraged in MSEs. MSEs of Robe City advised to Apply policy, procedure related to human resource management
- ✚ Finally the finding of this study provide decision for the administrative for better policy makers to gain improved understanding of the key variables that are significantly related with financial performance of and enable them to apply appropriate strategies to decrease potentially negative determinants In addition, the researcher recommended that this kind of study have better to conduct at the national level and regional level as well as City level to gain a better enhancement of financial performance of MSEs in the country.

5.4. Direction for Further Research

Every study cannot necessarily free from limitations to some point. Accordingly, there are some limitations in present study. At first, it focused only on Internal Factors Affecting Micro and Small Enterprises Performance in Case of Robe City. Thus, the findings of this study can be generalized for all MSEs in Robe City but it is not easy to generalize these findings about all MSEs at others City, City and national level. Hence, this study can be improved if it would done at regional and national level by investigating determinants of financial performance of MSEs in different area of business sectors. Further researchers can also include other determinants of financial performance of MSEs that were not addressed in this study since current study tested only eleven determinants.

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Appendix I
MaddaWalabu University

Collage of Business and Economics

Department of Accounting and Finance

Questionnaires for MSEs Members

I am conducting research thesis entitled as “Internal Factors Affecting Micro and Small Enterprises Performance in case of Robe City. This study is conducted in partial fulfillment of the requirements for the Degree of Master in Accounting and Finance(MSc) at Madda Walabu University. Its main objective is to identify the major Internal Factors Affecting Micro and Small Enterprises Performance Robe City. The study is going to be conducted out on your responses and other pertinent data that could support it. The reason of this questionnaire is to get your perceptions and views about a variety of aspects of Internal Factors Affecting Micro and Small Enterprises Performance. It forms a main part of the study and the information you offer facilitates to significantly analyze Internal Factors Affecting Micro and Small Enterprises Performance. Your support to respond is very significant to this study since it represents thousands of others who are not incorporated in the sample.

General Instruction:

- No need of writing your name
- Kindly respond to all questions
- If you need further clarification contact in the below address

It's essential to bear in mind that this survey is only for academic research purpose and the responses of each participant dealt with utmost confidentiality. Thank you for your cooperation and assistance. Sincerely,

Part I – Demographic Information of the Respondents

Gender

I. Male ☐

II. Female ☐

Age

I. under 25 years ☐

II. 26 - 34 years ☐

III. 35 - 44 year ☐

IV. 45 years and above ☐

Education Level

I. Illiterate ☐

II. Elementary ☐

III. High school ☐

IV. Diploma ☐

V. Degree and above ☐

Monthly Income

Part II – Internal Factors affecting SME Performance

Please indicate the level of agreement on the following internal factors that affect the SME Performance Use (5= Strongly Agree 4= Agree, 3=MA, 2=Disagree and 1= strongly disagree)

S.N	Internal Factors affecting MSEs Performance	Scales				
		1	2	3	4	5
1	Job knowledge					
1.1	MSEs societies has attain basic literacy skills that enable them to act efficiently in MSEs job					
1.2	Continuously training is arranged in MSEs for the member's					
1.3	Manager has knowledge and act efficiently in MSEs job					
1.4	The workforce adequately educated in MSEs matters					
1.5	The diversity of the work profession were involved in MSEs function					
2	Entrepreneur Skill					
2.1	Members have high consistency towards achieving their goals					
2.2	Entrepreneur has creativity, flexibility and adaptability to new ideas					
2.3	Entrepreneur has the readiness to learn, to improve and to change					
2.4	Entrepreneur has tolerance to work hard					

2.5	Entrepreneur has initiative to assess one strengths and weakness					
2.6	Members passion to work for reasons that go beyond money or status					
3	Managerial skills					
3.1	The talent in managing relationships and building networks; and an aptitude to find universal ground and build rapport					
3.2	Manager having good social skills are also good at managing change and resolving conflicts diplomatically					
3.3	Manager control unnecessary exposure of emotions on workplace and use judgment and self-intelligence					
3.4	Manager has skill in selection of business partners					
3.5	Manager has strategic business planning					
3.6	Manager know-how on factors do have effect on their business					
3.7	Manager has basic managerial function that important in improving business performance of SME					
4	Financial Factor					
4.1	Shortage of working capital					
4.2	High interest rate by lending institutions					
4.3	High collateral requirement from lending institutions					
4.4	Lack of access to credit institutions					
4.5	Established an efficient financial planning system					
5	Human Capital					
5.1	Collaboration among members is encouraged in MSEs					
5.2	Incentive arranged for best performer of the member					
5.3	Applicability of policy, procedure related to human resource management					
6	Marketing strategy					
6.1	Strong established market network					
6.2	Price set for the product/service is fair/affordable					
6.3	MSEs shop accessible to customer					
6.4	MSEs provide quality product for the customer					
6.5	Strong promotion to attract potential users					
6.7	Adequate market for the product of MSEs					

Part III – Micro and Small Enterprises performance

Please indicate the level of agreement on the following internal factors that affect the SME Performance Use (5= Strongly Agree 4= Agree, 3=MA, 2=Disagree and 1= strongly disagree)

S.N	MSEs Performance indicators	Scales				
		1	2	3	4	5
1	MSEs continue its operations without receives no further subsidies					
2	MFI's covered its operating costs but also its ability to maintain the value of its equity relative to inflation and to operate and expand without subsidies					
3	MSEs is managed its assets to optimize its profitability					
4	MSEs generate income from their core financial service activity					
5	MFI's showed improvement in loan size					
6	The MSEs has showed an improvement in rate of dividend fund					
7	Every year MSEs sales revenue increase					

1. What was the average annual revenue of your enterprise?

.....

2. What was the average annual cost of your enterprise?

.....

APPENDIX II
MADDA WALABU University

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Interview schedule with Manager and officials of MSEs;

This interview is prepared for the purpose of understanding the internal factors affecting Micro and Small Enterprises performance in case of Robe City. This interview contains relevant questions that serve as an input for the study. Please assist me in giving correct and complete information to present a representative finding on the internal factors affecting Micro and Small Enterprises performance. Your genuine support in responding to the raised questions has paramount importance for the attainment of the study's objectives. Furthermore, the information that you provide shall be kept strictly confidential.

1. What look like the performance of your MSEs from the perspectives of adult result?
2. Does job knowledge of MSEs societies affect MSE performance?
3. Does entrepreneur skill of MSEs societies affect MSE performance?
4. Does managerial skill of MSEs societies affect MSE performance?
5. Does financial factor of MSEs affect MSE performance?
6. Does human capital of MSEs affect MSE performance?
7. Does marketing strategy of MSEs affect MSE performance?

APPENDIX I

መደወላቡ ዩኒቨርሲቲ

የንግድና ኢኮኖሚ ኮሌጅ

አካውንቲንግና ፋይናንስ/ትክፍል

በጥቃቅንና አነስተኛ ኢንተርፕራይዞች አፈጻጸም ላይ በጎባ ከተማ ጉዳይ ላይ ተዕዕኖ የሚያሳድሩ ምክንያቶችናቸው በሚል ርዕስ የምርምር ዕሁፍ እያካሄድኩኑው ፡፡ይህጥናት በመደወላቡ ዩኒቨርሲቲ በቢዝነስ አድሚኒስትሬሽን (ኤምቢኤ) የማስተርስ ዲግሪ በክፍል በማሟላት የሚካሄድነው፡፡ ዋና ዓላማው በጥቃቅንና አነስተኛ ኢንተርፕራይዞች አፈጻጸም ጎባ ከተማን የሚነኩ ዋና ዋና የውስጥ ምክንያቶችን መለየት ነው፡፡

ጥናቱ እርስዎ በሚሰጡት ምላሽ እና ሊደግፉ የሚችሉ ሌሎች ተያያዥ መረጃዎች ላይ ይካሄዳል፡፡ የዚህ ጥያቄ ምክንያት ማይክሮ እና አነስተኛ ኢንተርፕራይዞች አፈጻጸም ላይ ተጽዕኖ የሚያሳድሩ የውስጥ ምክንያቶች የተለያዩ ገጽታዎችን በተመለከተ የእርስዎን አመለካከት እና አመለካከት ለማግኘት ነው፡፡ የጥናቱ ዋነኛ ክፍል ከመሆኑም በላይ የምታቀርበው መረጃ ማይክሮ እና ትናንሽ ድርጅቶች አሠራርን የሚነኩ ውስጣዊ ምክንያቶችን በጥልቀት ለመመርመር ያስችላል፡፡

በናሙናው ውስጥ ያልተካተቱ በሺህ የሚቆጠሩ ሌሎችሰዎችን ስለሚወክል ለዚህ ጥናት ምላሽ ለመስጠት ያለህ ድጋፍ በጣም ጠቃሚነው፡፡

አጠቃላይ መመሪያ፦

- ስምህን መጻፍ አያስፈልግም
- ለሁሉም ጥያቄዎች ደግነት ይኑርህ
- ከዚህ በታችባለው አድራሻ ላይ ተጨማሪ ማብራሪያ ማግኘት ካስፈለገዎት

ይህጥናት ለትምህርት ምርምር ዓላማ እና እያንዳንዱ ተሳታፊ በምስጢር ለሚከናወንበት ምላሽ ብቻ እንደሆነ ማስታወስ አስፈላጊ ነው፡፡ ላደረጋችሁት ትብብርና እርዳታ

አመሰግናችኋለሁ፡፡

I. የትምህርት ደረጃ

II. ማንበብና መጻፍ የማይችል

III. የመጀመሪያ ክፍል

IV. ሁለተኛ ደረጃ ትምህርት ቤት

V. ዲፕሎማ

Vi ዲግሪ እና በላይ

ወርሃዊ ገቢ

. ክፍል II — በSME አፈጻጸም ላይ የሚነኩ የውስጥ ምክንያቶች

ጥቃቀንና አነስተኛ ኢነተርፕራይዝ አጠቃቀም ላይ ተጽዕኖ በሚያሳድሩ በሚከተሉት የውስጥ ምክንያቶች ላይ የስምምነት መጠን (5 በ□ም ስምምነት 4=ተስማላ□. 3.አልወስነም=2.አልስማም 1= በጥብቅ የማይስማሙ) እባክዎን ይጠቁሙ

S.N	በSME አፈጻጸም ላይ የሚነኩ የውስጥ ምክንያቶች	Scales				
		1	2	3	4	5
1	የትምህርት ደረጃ					
1.1	ጥቃቀንና አነስተኛ ኢነተርፕራይዝ ኅብረተሰቦች ሥራ ውጤታማ በሆነ መንገድ ለመሥራት የሚያስችሏቸውን መሠረታዊ መሃደምነት ችሎታዎች አግኝተዋል					
1.2	ለአባልበ MSEs ውስጥ የማያቋርጥ ስልጠና ይዘጋጃል					
1.3	ሥራ አስኪያጁ ጥቃቀንና አነስተኛ ኢነተርፕራይዝ ስራ ላይ እውቀትና ተግባር አለው					
1.4	ሰራተኛው ጥቃቀንና አነስተኛ ኢነተርፕራይዝ ጉዳዮች በሚገባ የተማረ					
1.5	የስራ ሞያ ወደ ተለያዩ ስራዎች ጥቃቀንና አነስተኛ ኢነተርፕራይዝ ተግባር ላይ ተሳትፏል					
2	የንግድ ባለሙያ ችሎታ					
2.1	ጥቃቀንና አነስተኛ ኢነተርፕራይዝ አባላት ግንባታቸውን ለማሳካት ከፍተኛ የሆነ አቋም አላቸው					
2.2	ነጋዴው የፈጠራ ችሎታ፣የመተግበጥ ችሎታና ከአዳዲስ ሃሳቦች ጋር የመላመድ ችሎታ አለው					

2.3	አንድ ነጋዴ ለመማር ለማሻሻል እና ለመለወጥ ዝግጁነት አለው					
2.4	ነጋዴው ጠንክሮ ለመስራት መቻል አለበት					
2.5	ነጋዴው ጠንካራና ደካማ ጎኖችን የመገምገም ተነሳሽነት አለው					
2.6	አባላት ከገንዘብ ወይም ከደረጃ በላይ ለሚሄዱ ምክንያቶች የመሥራት ፍላጎት አላቸው					
3	የአስተዳደር ችሎታ					
3.1	ግንኙነቶችን በማስተዳደር እና የመገናኛ መስመሮችን በመገንባት ረገድ ያለው ተሰጥኦ፤ እና ሁሉን አቀፍ መሬት ለማግኘት እና እርስ-በእርስ የመነፅር ንፅህናን የመገንባት					
3.2	ጥሩ የማህበራዊ ክህሎት ያላቸው አስተዳዳሪዎች ሚሊውጥን በመቆጣጠርና ግጭቶችን በዲፕሎ ማሲያዊ መንገድ በመፍታት ረገድ ጥሩ ችሎታ አላቸው					
3.3	ሥራ አስኪያጆች በሥራ ቦታ ላይ አላስፈላጊ ስሜቶችን መጋለጥን ይቆጣጠራሉ እንዲሁም የማመዛዘንና ራስን የመረዳት ችሎታ ይጠቀማሉ					
3.4	ሥራ አስኪያጅ የንግድ አጋሮችን በመምረጥ ረገድ ችሎታ አለው					
3.5	ሥራ አስኪያጅ ስትራቴጂያዊ የንግድ እቅድ አለው					
3.6	በነገሮች ላይ የአስተዳዳሪ ዕውቀት በንግዳቸው ላይ ተፅዕኖ አለው					
3.7	ሥራ አስኪያጅ የጥቃቀንና አነስተኛ ኢነተርፕራይዝ የንግድ አሰራርን ለማሻሻል አስፈላጊ የሆነ መሠረታዊ የአስተዳደር ተግባር አለው					
4	የፋይናንስ ነገር					
4.1	የሥራካፒታል እጥረት					
4.2	ተቋማቱን በማበደር ከፍተኛ ወለድ					
4.3	ከአበዳሪ ተቋማት ከፍተኛ የጋራ ግዴታ					
4.4	የዱቤ ተቋማትን ማግኘት አለመቻል					
4.5	ውጤታማ የሆነ የገንዘብ እቅድ ማውጣት					
5	የሰው ልጅ ዋና ክፍል					
5.1	በአባላት መካከል ትብብር በጥቃቀንና አነስተኛ ኢነተርፕራይዝ ይበረታታል					
5.2	የተሻለ የአባላት አቀንቃኝ እንዲሆን ዝግጅት ተዘጋጀ					

5.3	ከሰው ሀብት አስተዳደር ጋር የተያያዙ ፖሊሲዎች ተግባራዊ መሆን					
6	የማርኬቲንግ ስትራቴጂ					
6.1	ጠንካራ የተቋቋም የገበያ አውታር መረብ					
6.2	ለምርት/ አገልግሎት የተወሰነ ዋጋ ፍትሃዊ/ ዋጋ ያለው ነው					
6.3	የ MSEs ሱቅ ደንበኛ ማግኘት ይችላሉ					
6.4	MSEs ለደንበኛው ጥራት ያለው ምርት ያቀርባል					
6.5	ተጠቃሚ ሊሆኑ የሚችሉ ሰዎችን ለመሳብ ጠንካራ ማስተዋወቂያ					
6.7	የ MSEs ምርት በቂ ገበያ					

ክፍል III —የማይክሮ እና አነስተኛ ኢንተርፕራይዞች አፈጻጸም

በጥቃቀንና አነስተኛ ኢንተርፕራይዝ አጠቃቀም ላይ ተጽዕኖ በሚያሳድሩ በሚከተሉት ከተሰጡት የውስጥ ምክንያቶች ላይ የስም ምንት መጠን (5= ጠንካራ ሁኔታ እስማማለሁ 4= እስማማለሁ 3=መጠኛ ስምምነት 2=አልተስማማም 1= በጣም አልተስማማም) እባክዎን ይጠቁሙ፡

መ.ሐ	የጥቃቀንና አነስተኛ ኢንተርፕራይዝ አፈጻጸም ጠቃሚዎች	መስራቂያ				
		1	2	3	4	5
1	ጥቃቀንና አነስተኛ ኢንተርፕራይዝ ተጨማሪ የገንዘብ ድጎማ ሳያገኝ ሥራውን ይቀጥላል					
2	□ ቃቀንና አነስተኛ የፋይናንስ የሥራ ወጭውን የሸፈነው ነገር ግን ከዋጋ ግሽበት ጋር ሲነፃፀር የንብረቱ ዋጋ ጠብቆ ያለ ድጎማ የመስራትና የስፋፋት ችሎታውንም ሸፍኗል					
3	ጥቃቀንና አነስተኛ ኢንተርፕራይዝ ትርፋማ ነቱን ለማሻቀብ ንብረቱን ያስተዳድራል					
4	ጥቃቀንና አነስተኛ ኢንተርፕራይዝ ዋነኛ የገንዘብ አገልግሎቶች ውጤት በማከናወን ገቢያ ያገኛሉ					
5	ጥቃቀንና አነስተኛ ፋይናንስ የድርሻ መጠን መሻሻል አሳይቷል					
6	ኤምኤስኤዎች የገንዘብ ትርፍ መጠን መሻሻልን አሳይተዋል					
7	በየዓመቱ የጥቃቀንና አነስተኛ ኢንተርፕራይዝ የሽያጭ ገቢ ጭማሪ					

APPENDIX II

መደወላቡ ዩኒቨርሲቲ

የንግድናኢኮኖሚኮሌጅ

አካውንቲንግና ፋይናንስ/ትክፍል

ቃለ መጠይቅ ፕሮግራም ምስ ማሕበር

ይህ ቃለ ምልልስ የተዘጋጀው በጥቃቅንና አነስተኛ ኢንተርፕራይዞች አፈጻጸም ላይ በጎባ ከተማ ጉዳይ ላይ ተፅዕኖ የሚያሳድሩ የውስጥ ምክንያቶችን ለመረዳት ነው። ይህ ቃለ ምልልስ ለጥናቱ ጠቃሚ የሆኑ ጥያቄዎችን ይዟል። በማይክሮ እና አነስተኛ ኢንተርፕራይዞች አፈጻጸም ላይ ተፅዕኖ የሚያሳድሩ ውስጣዊ ምክንያቶችን በተመለከተ ተወካይ ግኝት ለማቅረብ እባክዎ ትክክለኛ እና የተሟላ መረጃ በመስጠት እርዳኝ.

ለተነሱት ጥያቄዎች መልስ ለመስጠት ያለህ ልባዊ ድጋፍ የጥናቱ ዓላማ ላይ ለመድረስ ትልቅ ቦታ የሚሰጠው ነገር ነው። ከዚህም በላይ የምታቀርባቸው መረጃዎች በምስጢር ይያዛሉ።

1. ከአዋቂ ውጤት አኳያ የእርስዎ MSEs አፈጻጸም ምን ይመስላል?
2. የ MSEs ማህበራት የትምህርት ደረጃዎ MSE አፈጻጸም ላይ ተጽዕኖ ያሳድራል?
3. የMSEs ማህበራት የድርጅት ችሎታ በMSE አፈጻጸም ላይ ተጽዕኖ ያሳድራል?
4. የ MSE ማህበራት የአስተዳደር ችሎታ በ MSE አፈጻጸም ላይ ተጽዕኖ ያሳድራል?
5. የ MSEs የገንዘብ ሁኔታዎች MSE አፈጻጸም ላይ ተጽዕኖ ያሳድራል?
6. የ MSEs ሰብዓዊዎች ከተማ በ MSE አፈጻጸም ላይ ተጽዕኖ ያሳድራል?
7. የ MSEs የንግድ ስትራቴጂዎች MSE አፈጻጸም ላይ ተጽዕኖ ያሳድራል?