

**PROBLEM AND PROSPECT OF ENTREPRENEURIAL
ACTIVITY IN SOME SELECTED MICRO AND SMALL
SCALE ENTERPRISES IN ADAMA TOWN**

**A RESEARCH PAPER SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR BA DEGREE IN MANAGEMENT**

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ABSTRACT

This study was conducted on problem and prospect of entrepreneurial activity in some selected micro and small scale enterprise in case of Adama Town. It was try to identify the problem and prospect of entrepreneurial activity to achieve its goal. The source of data could be both primary and secondary sources and it would be used open and closed ended questionnaires and unstructured interview as a method of data collection. The study was adopting stratified sampling technique due to heterogeneous nature of the entrepreneurial activity.

The summary of the major finding on problem and prospect of entrepreneurial activity shows that, there is a lot of problem about entrepreneurial activity like lack of management skill, financial problem, lack of merchandizing skill, myth results from lack of research on entrepreneurship. The study revealed that the government was provide and support micro and small scale enterprise through organizing, training, technology and integration. But these supports are not sufficient so it has strategic plan for future support. This sub – sector faces different problem almost similar to the country side at the time of establishment up to conducting and achieving the objective of the business and at the end of the study the conclusion and recommendations was given for the problem identified.

Key words of the study: Experience of entrepreneur, Skill of entrepreneur, Attitude of entrepreneur, Desire, Motivation, Intention, Role

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Acronym

SSE's : Small Scale Enterprises

CHAPTER ONE

INTRODUCTION

1.1. Background of the Organization

As Adama is one part of Ethiopia and Ethiopia in its history has been a victim of drought, famine, war and discouraging environment of business. So the consequence of this condition also has an impact on Adama society. Which leads to economic and social problems and the economy has been marked by a slow growth. Success in to days creative and innovative environment is increasingly a function of effective entrepreneur activity.

Even though so many factors force the economy of the town to have a slow growth. One of the factors attribute to slow growth of the economy is the lack of entrepreneurs development could be the main one.

The existing enterprise in the town fall in the category of micro and small business enterprise which are handicapped by financial constraints and many other problems.

As Adama is a developing town it faces the outlined problems in the existing and newly established business enterprise. To alleviate the poor economic development and eradicate poverty. The undertaken entrepreneurial activity can contribute a lot by creating employment opportunity and increasing productivity. Entrepreneurs activity has a far reaching role in socio economic development of the town.

It is already known that in the world wide level the importance of all ideating the problem of poor nations from their level of life by integrating with capable economic sector.

Among this sector entrepreneurial activity is one and significance sector.

In least developed countries like Ethiopia, the level of entrepreneurial activity seems at the starting level.

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1.2. Statement of the Problem

In the present day Adama, even though a significant measure have been taken, micro and small enterprises face serious obstacles, both at the operation and start up levels (Hailay, 1952, p. 44)

Generally, entrepreneurs are required to asses the environment, identify the opportunity to improve their activity and implement action to maximize opportunity. In this particular study the researcher try to identify the following points related to entrepreneurial activity in micro and small enterprise.

- What major problems or barriers are associated with entrepreneurial activity of the enterprise?
- What are the future prospect of entrepreneurial up on its expansion?
- What is the role of entrepreneurial activity in providing un employment reduction?
- What motivates entrepreneur to engaged in micro and small enterprise?
- What is the overall economic contribution of entrepreneurial activity in Adama?

1.3. Objectives of the Study

1.3.1. General Objectives

The primary objective of this study is to examine the problems and prospects of entrepreneurial activity in relation to micro and small scale enterprise.

1.3.2. Specific Objectives

- To point out the problems of micro and small scale entrepreneurial activity.
- To assess the role of entrepreneurial activity in providing creative and innovative ideas to ward the society, even though the enterprises are micro and small scale enterprises.
- To create more awareness those who want to be entrepreneur.
- To evaluate prospects of entrepreneurial activity up on its expansion.
- Finally to give or forward certain recommendation and if any.

1.4. Significant of the Study

The study would enable to fill information gap concerning entrepreneurial activity by applying the necessary investigation and have some contribution in identifying the problem and seeking entrepreneurial solution and also it has the following advantage.

- It enables individual to use the opportunity
- It would tell the owner of the business how to increase consumer satisfaction.
- It creates awareness for owner of small scale enterprise how to run the business

Finally after having assessed the entrepreneurial activity of micro and small scale enterprise. the paper would give recommendation on area of micro and small scale enterprise, the result of this research would be important as a base for further investigation or study. The current awareness level of most of the town people on entrepreneurship and intrapreneurship is not as sufficient as required to bring the town into a dynamic economic development process at present and in the coming decades.

So its expect to use the unexploited entrepreneurial potential. With this potential its possible to fasten the town prospect of economic development.

1.5. Scope of the Study

The interest of the research has focused its area of study in micro and small enterprise organized in merchandizing, small business and service enterprise. This is mainly due to lack of time and other necessary resources. The research does not include those micro and small enterprise which are participating in manufacturing area.

1.6. Limitation of the Study

While conducting this study the researcher was faced the following limitations:

- Difficulty in distributing questionnaire to the selected employees in the center.
- Some of the respondents were not interested to fill open ended questions on the questionnaire.
- Since the researcher is full time students, it encountered constraints in time and budget.
- *By limiting the scope of the study, the researcher overcomes the problem.*

1.7. Organization of the Study

The study has five chapters. The first chapter deals introduction, which consists of backgrounds of the study.

Statement of the problem, significance of the study, objective of the study and scope of the study.

The second chapter was emphasize on review of related literature, which is briefly discuss about the definition and concepts of entrepreneurs and entrepreneurship and other related concept. The third chapter was consist of methodology of the study. The fourth chapter consist of data presentation and analysis. The fifth chapter was consist of summary of the findings and conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Nature and Development of Entrepreneurship

Who is an entrepreneur? What is entrepreneurship? What is an entrepreneur cases path? These questions are asked more and more frequently, reflecting the increased national and international interest in the field. Yet, in spite of all this interest, a concise, universally accepted definition has not yet emerged. Overview of the development of entrepreneurship theory and term passed a serious of stage (Hisrich: 1986s)

In the middle age, the term entrepreneur was used to describe both an actor and a person managing large production project, the person would not take any risk but would merely manage the project using the resource provide. A typical entrepreneur in the middle age was the cleric the person in charge of great architectural works such as castles and fortifications and public buildings (Hisrich and Peter 1987: p. 7)

Recharad Cantilon, a noted economist and author in the 1700's developed one of the early theories of the entrepreneur and is regarded by some as the founder of the term cantillon, viewed the entrepreneur as a risk taker, seeing the merchant, farmers, crafts man and other sole proprietor buy at a certain price and sell at uncertain price therefore entrepreneurs are operating at risk (Herbert and Link, 1982: 17)

In the middle of 20th century the nation of entrepreneurs and innovation was established. The function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or more generally an untried technological possibility for producing a new commodity producing an old one in new way, opening source of supply of materials or a new out let for products, by reorganizing a new industry (Schumter, 1952: p. 72)

The concept of innovation and newness as an integral part of entrepreneurship is at the heart of this definition. Indeed innovation the act of introducing something new is one the most difficult tasks for the entrepreneurs. It takes not only the ability to create and conceptualize but also to understand all the force at work in the environment. The

newness can be any thing from a new product to a new distribution system to simply a new organization structure (Hisrich and peter, 1989: p.9)

2.2. Definition of Entrepreneur and Entrepreneurship

The concept of an entrepreneur is further refined when principles and terms from a business, managerial and personal perspective are considered. In particular, the aspects of entrepreneurship from a personal and sociological perspective have been explored. This explorations is reflected in more recent definition of the term.

In almost all of the definition of entrepreneurship, there is an agreement that we are taking about a kind of behavior that includes

1. Initiative taking
2. The organizing and reorganizing of social/economic mechanism to turn resources and situations to practical account
3. The acceptance of failure (shapero, 1975: p. 187)

Entrepreneur seen differently by economists, psychologists, business person and politician. To an economist an entrepreneur is one who brings resources, labour, materials and other asset in the combinations that make their value greater than before and also one who introduce changes, innovations and a new order. To psychologists, such a person is typically driven by certain forces need to obtain or attain something to experiment to accomplish or perhaps to scope authority of others. To a business men entrepreneur appears as a threat. An aggressive competitor, where as to another business the same entrepreneur may be an ally, a source of supply, a customer (Vesper, 1980, p.2)

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individual who assume the major risk in terms of equity, time and career commitment or providing volume for some product or service (Ronstad, 1984. P. 28)

- Entrepreneurship is the process of discovering, evaluating and exploiting opportunities, which go on to verify them in the form of new business venture (Stevenson, 1986, 389)
- By relating the definition of entrepreneur and entrepreneurship from different books and the internet, it is obvious to conceptualize entrepreneur's activities,

which is selected as a base stone for this research paper. In short entrepreneurial activities are activities, which are performed by entrepreneur.

2.3. Form of Entrepreneurship

From different point of views, entrepreneurship can take three different forms.

Individual entrepreneurial: much of the definition given to entrepreneurship focus on the individual's entrepreneur. An individual entrepreneur is someone who started, acquired or franchised his or her own independent organization (Hisrick and Peters, 1989: p. 9)

Entrepreneur: an entrepreneur is a person who does entrepreneurial work within large organizations (Pinchot1983: p. 512).

The process by which an entrepreneur affects is called entrepreneurship from the stand point of a company, the benefits of having entrepreneur is obvious.

Entrepreneurs introduce and produce new products, process and service which in turn enable the company to grow and profit. It is important to know two important factors about entrepreneurs

- The process followed by entrepreneur is quite different from that followed by the independent individual entrepreneur. Entrepreneur's context is offer dependent of organizations willing.
- Entrepreneurship often takes place in organization that overall stifle entrepreneurship. In other word many organizations fail to create an environment for entrepreneurship. Thus entrepreneur are individual who often engage in entrepreneurial action in large organization without the blessing their organization.

The entrepreneurial organization: the entrepreneurial function need not be embodied in a physical person. Every social environment has its own way of filling the entrepreneurial function, a person working in organizations have the potential for being an entrepreneur, as who those working independently to start their own business. An organization can create an environment in which all of its members can contribute in some fashion to the entrepreneurial function. An organization that creates such an

entrepreneur environment is defined as entrepreneurial organization (Hisrich and Peter. 1989: p. 18).

2.4. Characteristics of entrepreneurs

A common threat to entrepreneurs is that they are decision makers with regard to level of production and productive techniques the function of decision making may include production novel goods or finding new means of producing existing items. This refers to the innovational activity entrepreneurs are characterized by creating additional productive capacity prior to understanding production “entrepreneurs defined as a person who identifies product, mobilize resources, establishes a business that manage the business unit and make to grow beyond its initial stage, by involving himself in the multiplicity of these activities with unknown combinations” (Arymugan and Sankoranayena, 1891: p. 17).

An entrepreneur’s dynamic agent in the economic process profits suggested to be the reward of entrepreneurs for this compensation of managing the business efficiently. Entrepreneurs are those business people who perceive opportunity in the environment. From different literature (definition) of entrepreneurs have various qualities attributed to them. These characteristics are undoubtedly important for understanding the overall concepts of entrepreneurs.

1. Have a feel for recognizing and responding to the business opportunity
2. Self confident
3. Willingness to take risk
4. Are decisive and can motivates others
5. Independent, and need for achievement

2.5. Entrepreneur’s background to develop new venture

While a wide variety aspects of entrepreneur’s background have been explored; only a few have differentiated the entrepreneur from the general populace or managers. The back ground area explored includes childhood family environment, education, and age and work history.

Childhood family environment:

Specific topic in the family environment of the entrepreneur include birth order, parent's occupation and relationship with parents. The impact of birth order has had conflicting research result since Henning and Jardine found that female executives tend to be first born (Henning and Jardim, 1975: p. 55)

Being the first or an only child is postulated to result in the child receiving special attention and there by developing more self confidence for example in a rational sample of 408 female entrepreneurs. Hisrich and Brush found 50 percent to be first born/ Hisrich and Brush, 1984: PP. 30-37). However; in many studies of male and female entrepreneurs the first born affect has not been present.

In terms of the occupation of the entrepreneur's parents, there is strong evidence that entrepreneur tend to have self employed. Having a father who is self –employed provides a strong inspiration for the entrepreneur (Hisrich and brush, 1989: p.57).

The overall parents relationship whether entrepreneur or not, is perhaps the most important aspects of the child hood family environment in establishing the desirability of entrepreneur's activity for the individual parents are supportive and encourage independence, achievement and responsibility. This supportive relationship of the parents appear to be most important for entrepreneurs (Hisrich and Brush, 1986: p.66)

Education: the education of entrepreneur has received significant research attention. While it is frequently stated the entrepreneurs are less educated than the general population, the research finding indicate that this clearly is not the case education was important in the up brining of entrepreneurs. Although a formal education is not necessary for starting a new business it does provide a good background, particularly when it is related to the field of the venture (Hisrich and Brush, 1989: p.59)

Age: the relationship of age to the entrepreneur's carrier process has also been carefully researched. It is important differentiate between entrepreneurs age (the age of entrepreneur reflected in the experience) and chronological age in terms of chronological age, most entrepreneurs initiates their entrepreneurial career between the age of 22 and 55.

Work history: work history not only is a negative displacement in the decision to launch a new entrepreneur's venture, but is also important in the growth and eventual success of new venture (Hisrich and Brush (1989: p. 61) while dissatisfaction with various aspect of one's job challenge. Frustration and bore done often motivates the launching a new venture. Previous technical and industry experience is important once the decisions to launch have been made.

2.6. Motivation

The reason cited most frequently for becoming an entrepreneur is independence not wanting to work for anyone else.

This desire to be one's own boss is what drives both male and female entrepreneurs to accept on the social, psychological, financial and to work the numerous hours needed to create the develop success for new venture. Other motivating factors different between male and female entrepreneurs.

Money is the second reason for starting a new venture for men. While job satisfaction, achievement, opportunity and money are the reasons in rank order for women.

2.7. Factor affecting entrepreneurial decision

Many individual have difficulty in bringing their idea to the market and creating a new venture. Yet entrepreneurship and the actual entrepreneurial decision have resulted in several million new businesses throughout the world. Each of these companies is formed through a very personal process. Although unique have some common characteristics. Like all processes, it entails a movement from something to something. (a movement from a present life style to forming a new enterprise). The decision to start an entrepreneurial venture consists of several sequential sub decisions (Hisrich and peter, 1989:pp. 10-14)

- The decision to leave a present career
- The decision that an entrepreneurial venture desirable
- The decision that both external and internal factors make the venture possible

2.7.1. Change from present life style

The decision to leave a present career and life style is not an easy one. It takes a great deal of energy to change and create something new. The two most important incentive to leave a present life style and start a business are work environment and disruption

2.7.1.1. Work environment

While individual tend to start business in familiar area to work environments tend to be particularly good in spawning new enterprise: research and development and marketing. Working in technology. / Research and development) individual develop new product, ideas and processes and often leave to form new companies when the present employers do not accept the new ideas. Similarly, individuals in marketing become familiar with the market and unfilled customers' want and needs and frequently start new enterprise to fill these needs.

2.7.1.2. Disruptions

Perhaps even more incentive to leave a present life style and overcome the inertia by creating something new comes from a negative force (disruption). A significant number of companies are formed by people who have retired, who are relocated, or who have been fired. There is no greater force than person dislocation to galvanize a person in to action another cause of disruption and resulting company formation in the complementation of an education degree

2.7.2. Factors affecting to form new enterprise

Yet what causes change due to personal disruption result in new company being formed instead of something else. The decision to start a new company occurs when an individual perceives that it is both desirable and possible.

2.7.2.1. Desirability of starting a new business

The desirability of starting a new business is resulting from an individual's culture, sub culture, family, teachers and peers

2.7.2.2. Factors affecting possibility of starting new business

While the desire generated from the individuals culture, sub culture, family, teachers and must be present before any action is taken, the second part of the question centers around the question: what makes it possible to form a new company? Several factors- government, background, marketing, role models and finance, contributes to the creation of new venture.

2.8. The entrepreneurial process

Perhaps the decision on whether to start your own business is best considered in light of an understanding of the entrepreneurial process (Stevenson, Roberts and Grousbeck, 1985: pp, 16-23).

The entrepreneurial process involves more than just problem something in a typical management position. The actual process itself has four distinct phases.

1. Identify and evaluate the opportunity
2. Develop the business plan
3. Determine the resource required
4. Manage the resulting enterprise created

2.9. Source of new ideas

As reflected in the stories of the millions of entrepreneurs through out the world, there are many possible source of ideas some of the more useful source ideas are consumers, existing companies, distribution channels, the government and research and development (Hisrich and Peter, 1989: p. 95)

2.10. Methods for generating ideas

Frequently, there is a problem incoming up with a new idea. There are several methods available that the entrepreneur cause to help generate and test new ideas. Some of the most useful methods includes focus groups, brainstorming and problem inventory analysis (Hisrich and Peter 1989: pp. 97-98).

2.11. Problems and constraints facing micro and small scale enterprise in Adam

In order to appreciate the challenges we face in the effective and efficient promotion of micro and small scale enterprise and realize, their constraints, we have to first consider their characteristics. This help to determine the package of policy measure and institutional assistance necessary to sustain their growth. Entrepreneurs, both existing and emerging, are that actor in this economy and will create wealth and employment and ultimately provide the basis for economic progress. In present day Adama, although significant measures have been taken. Micro and small scale enterprise still face serious obstacles both at the operational and start up level. Some of the most critical constraints raised at different forum include access to.

- Finance, lack of clear and progmatic national policy
- Premises and land
- Lack of infrastructure

Lack of training in entrepreneurial and management skill. Lack of information in business opportunities (Andualem., 2004: p. 43)

2.12. The role of entrepreneurship

The role of entrepreneurship in economic development involves more than just increasing per capital output and income it involves initiation and constituting change in structure of business and society. This change is accompanied by growth and increased output, which allows more to be divided by the various participants (Hisrich and peter 1989: p. 19). What facilitates needed change and development?

One theory of economic growth depicts innovation as the key not only in developing new products (or services) for the market but also stimulating investment interest in the new venture created. This new investment works on both the demand and the supply sides of the growth equation. The new capital created expands the capacity for growth (supply side) and the resultant new spending utilizes the new capacity and output (demand side).

Entrepreneurship is one of the most effective methods for bridging the gap between science and technology and the market place, creating new enterprise, and bringing new products and services to market. These entrepreneurial activities significantly impact the economy of the area by building the economic base and providing jobs. (Hailay, 1952: p. 66)

CHAPTER THREE

3.1. Methodology

Methodology is the basic part of any scientific research because it gives detail about the data (materials). Method of data collection and sample size were use full to carry out research activities.

3.2. Sampling design

It is obvious that the sample design is used as a plan that specifies the source and type of information. Because of this the research would be designed in such a way that it is more flexible, efficient and economical and at the same time of descriptive type.

3.3. Source of data

The study was conducted in Adama town, which is located 100kms far away from Addis Ababa and it is the central town of Oromia region.

3.4. Methods of Data Collection

In this study, both primary and secondary data were used. From the primary data collection the researcher used structured questionnaires that were both open and closed ended questionnaires to gather data from owners of small scale enterprises about the problem and prospect of entrepreneurial activity. In addition, unstructured interview was conducted to collect primary data from employees working in small scale enterprise.

Secondary data was also collected from bureau of trade, transport, industry and investment.

Analysis was used for interpretation; finally, the researcher has made conclusion and recommendation.

3.5. Methods of Sampling

The data was collected from the samples which is taken from the whole SSE's of the town. The method of sampling used was proportional stratified random sampling. It involves dividing total population in to homogenous sub groups and then taking simple

random sampling in each group. There are several major reasons why the researcher has preferred stratified sampling over other techniques or methods.

To make the sample represent all the population of the organization for the purpose of the study, the researcher was made the size of each class proportional to the size of the population. It can be computed as follows:

$$Sci = \frac{s \times Tci}{N}$$

Where, Sci= Sample size of class “I”

S = the total sample size from the population

Tci = the total class “I” size in the enterprise

N = the total number of population in enterprise

The sample units of the study was drawn from merchandise business, service business and small business and they was divided in to homogenous groups as follows:

Business sector	Stratum
Merchandise business	✚ Retailers ✚ Wholesalers
Service business	✚ Cafeterias ✚ Printing and secretarial service ✚ Electronics shop
Small business	✚ House and office furniture ✚ Brick and blocket ✚ Woodwork ✚ Metalwork

The sample size of the study was limited to 10% from the total population of 600 that was obtained from trade, industry and transport bureau of Adama town as follows:

Business sector	Total population	Sample size
Merchandise business	200	20
Service business	150	15
Small business	250	25
Total	600	60

Source: Secondary data

3.6. Method of Data Analysis

Analysis of data was depending on the information gathered from different sources. The data was processed and analyzed by using tables, pie charts and paragraphs. The questionnaires were manually sorted out by editing, classifying and coding. In this study descriptive analysis used because of its simplicity and clarity to draw inferences, and necessary interpretation were made under each table through descriptive method. Having qualitative and quantitative nature.

CHAPTER FOUR

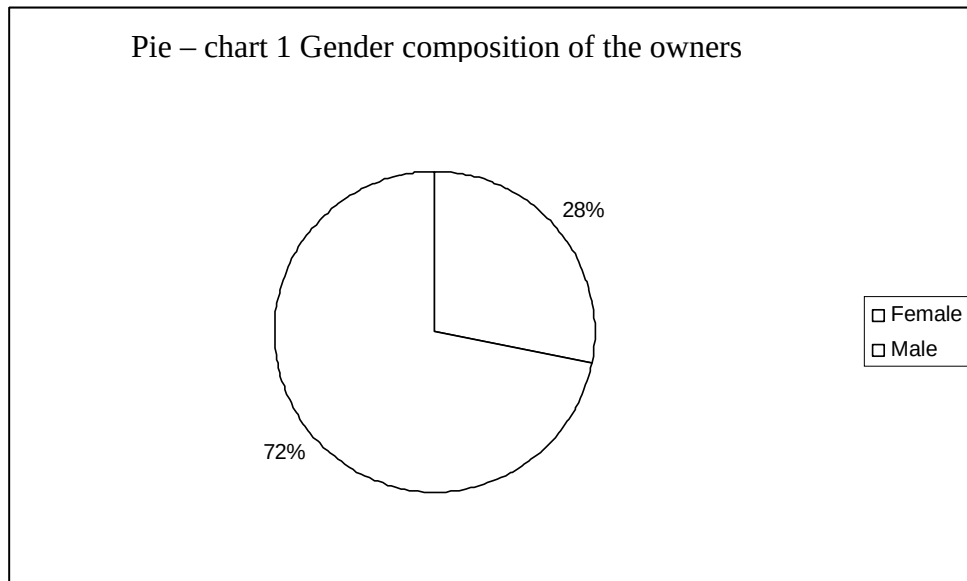
4. Results of the Findings, Analysis and Discussion

This part of the study presents analysis and interpretation of data collected through questionnaire from sample owner of micro and SSE'S in Chiro town and interview results from branch of trade, transport, industry and investment and from employees of the micro and SSE'S.

From the total 40 questionnaires that are distributed to the selected sample owners responds only 32 and from these 8 questionnaires were void. So the analysis was done only on 28 questionnaires. Data was from 28 respondents so it was the basis for the analysis for problem and prospect of entrepreneurial activity.

The data were presented in a table, pie charts and bar graphs and the data were interpreted according to the data from tables' pie charts and bar graphs.

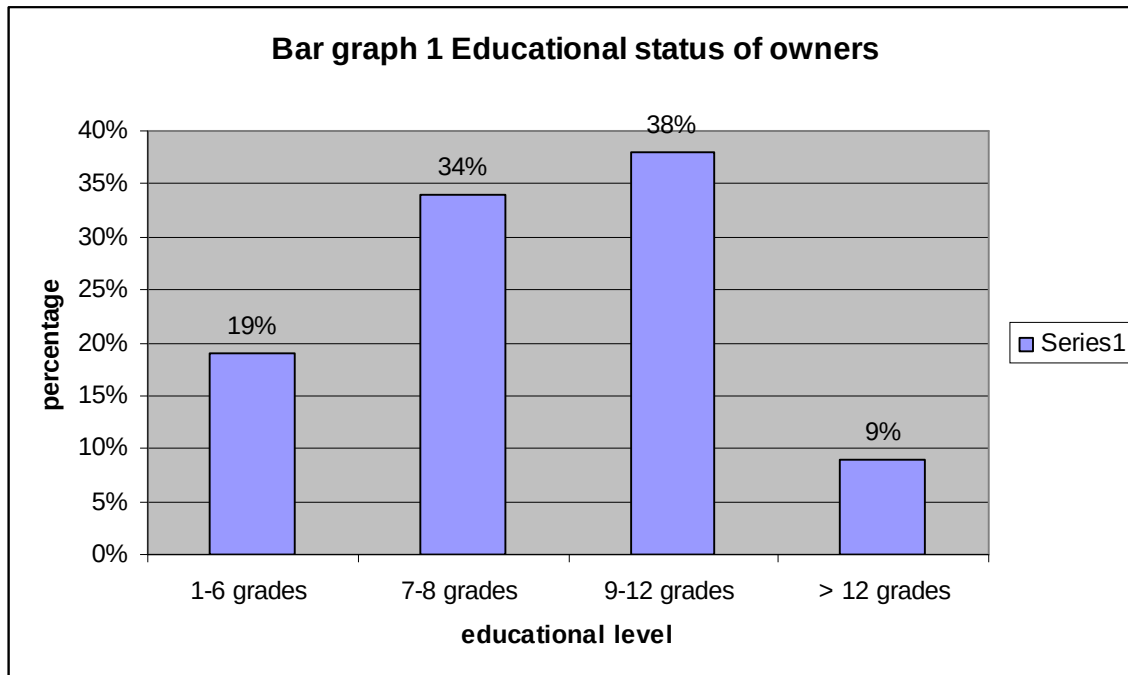
4.1. Characteristics/ social background/ of respondents



Source: compiled from questionnaire

The pie – chart shows that 72% (34) of the respondents (owners) taken from the sample are males and 28% (13) of owners are females. This indicates most of the owners are

males and the share of females is very small as compared with male owners, the role of female in micro and small scale enterprises is at ground level as shown in the pie – chart



Source: compiled from questionnaire

The bar graph shows that 19% (9) of the owners respondents were found between 1-6 grades, 34% (16) between 7-8 grades, 38% (18) between 9 -12 grades and at the end greater than 12 grades were 9% (4) which is the least of all grades in terms of share of numbers. The graph indicates that most owners are above primary educational level and below 12, so the general implication of the graph indicates that the educational level of the owner is at its poor level.

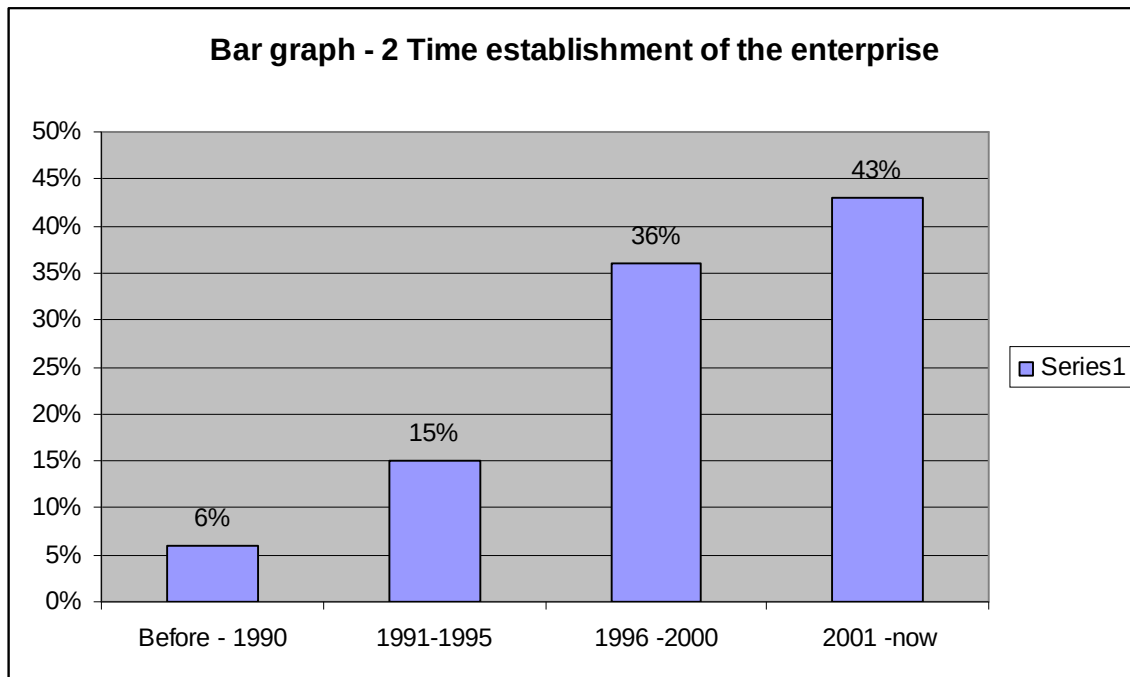
Table 1 Age of owners

Response	Respondent	Percentage
18 -25	17	36
26-40	21	45
51-65	9	19
>65	-	-
Total	47	100

Source: compiled from questionnaire

As clearly indicated on the above table 55% of the owners of micro and SSE'S enterprises are found to be in the age of 26 -40, 36% of the owners are found between 18-25 and 19% of them are between 51 -65 the rest >65 no owners are found in this age level. This shows that the greater share is constituted by the owners between 26-40 next to them the young owner, and the smaller share is constituted by the age level of between 51-65 so it indicates that, most of the owners of these enterprises are the young individual that have attractive future prospect of this sector.

4.2. The business structure of the enterprises



Source: compiled from questionnaire

The bar graph above indicates that additional number of micro and SSE's are increasing from time to time, before 1990 the were only 6% (3), from year 1991 up to 1995 it were increased to 15% (7).

From 1996 -2000 the number of this enterprises were increased to 36% (17), and also from 2001 to know reaches 43% (20)

Even though, their growth in establishment of this business sector is not much and enough as needed, the increasing rate from time to time is appreciable in the town. The strategic plan of trade, transport, industry and investment bureaus and different agencies is important in assisting to increase the number of micro and SSE's as needed in this area.

In general, the increase in percentage from time to time is an indicator of better growth in establishment of this sub sector.

On the other hand the increase in the number of micro and SSE's indicates that individual were participating on different business activities. This show that an increase of business operators by integrating their knowledge with their capital on new business workers as entrepreneurs.

There for this indicates that the entrepreneurial idea grows from time to time so by far this entrepreneur activity will fill the gap in un employment, and granted the overall development of the town in the near future.

Table 2 Reasons for starting this business

Response	Respondent	Percentage
Desire to work for one self	6	13
Desire to accumulate wealth	10	21
The future prospect of this BSS	15	32
To earn for survival	6	13
Other	10	21
Total	47	100

Source: compiled from questionnaire

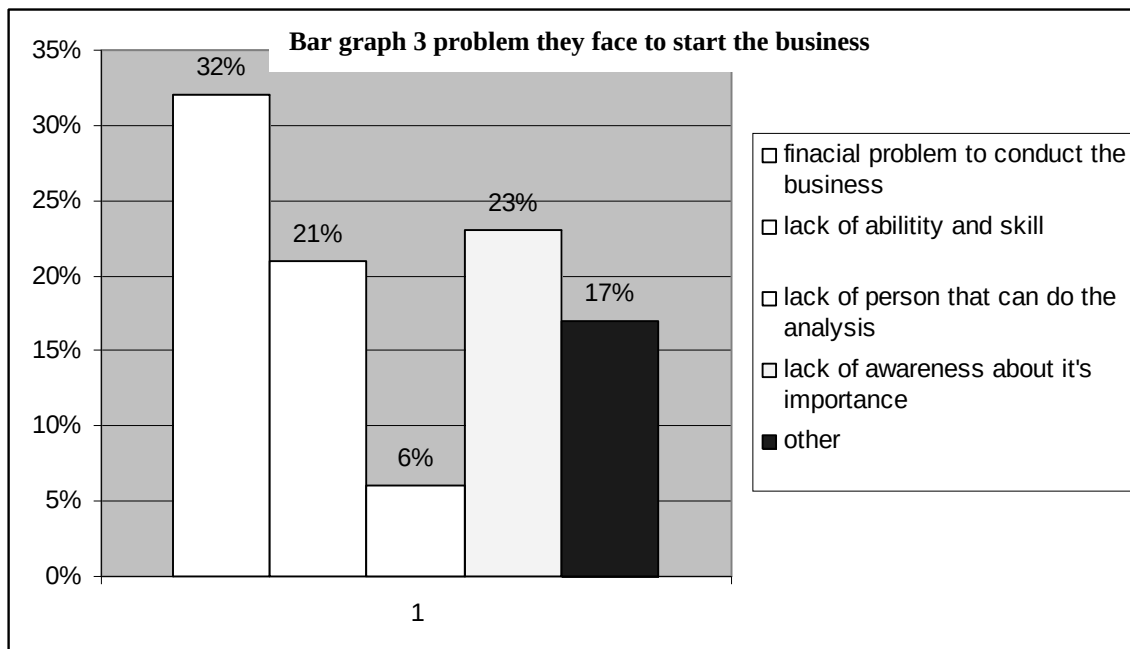
The above table shows that 13% of the respondents were started their business for desire to work for one self, 21% of the respondents started their business to accumulate wealth, 32% of them responds by having seen the future prospect of this sector and 13% to earn for survival, the remaining 21% of the respondents started this business with the intention other than the alternative provided.

The researcher generalized the respondent's response as follows most of the business owners and initiated to start this business owners are initiated to start this business by having seen the future prospect of this sector. Because entrepreneurship can make people an extra mile runner who will genuinely run to create something unusual and secondly to reduce unemployment found in the town because the town has idle and job seeking young

population and residents of the country by that enable to provide job opportunity for the towns residents.

- Owners of micro and small scale enterprises particularly small industries were initiated to start or establish the enterprise to provide customers products and services that are not found locally in lower prices and by considering the purchasing power of consumer. This means to substitute foreign products by domestically produced products by using locally available resources.
- In addition to the above, other respondents also responds that they were initiated to be a source for the development of entrepreneurial skills and work experience for employees those who work in their enterprise, that helps them to start their business and to provide better products and service for the customers and consumers and also help for growth of this business sector in playing role in the economy.

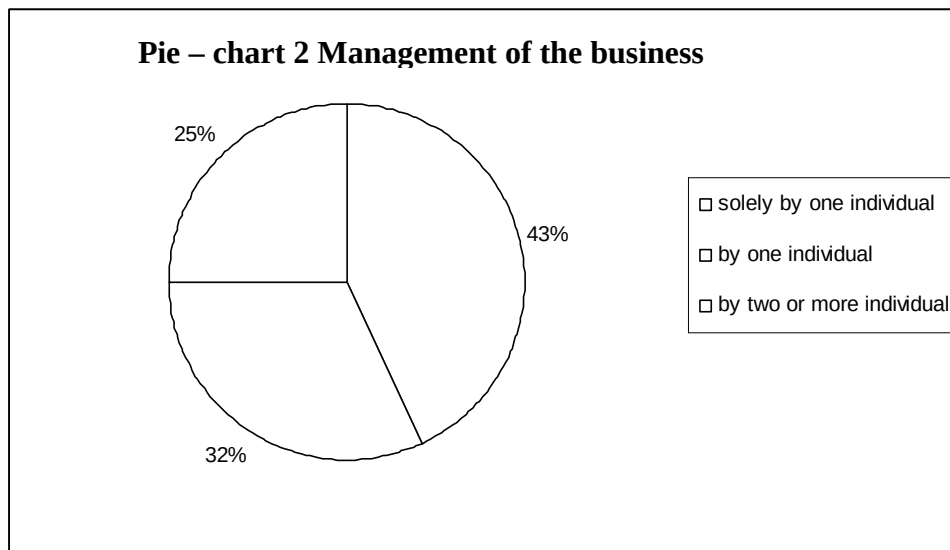
To show their experience and the greatness of work for others as development is started from small level /scratch/and other reasons were provided by the owners of micro and small scale enterprises.



Source: compiled from questionnaire

On the above bar graph we can see that the main problem of small scale enterprise owner's is financial problem to conduct the business that is start up capital for the business which accounts 32% (15), 21(10) goes to lack of ability and skill to start the business activity, 6% (3) of the owners were faced lack of persons that can do the analysis for their business, 23% (11) of the owners had lack of awareness about the importance or benefit gained in doing such business and 17% (8) of owners face different problems when they start this business. These problems are lack of infrastructure in this area to conduct their business. Problems to get business license, fear of illegal business owners and competition in free economy that may lead them out of the business and the like problems mentioned by the owners.

Form this we can conclude even if this sector is attractive and has a future prospect, it has a lot of problem, like financial problem, lack of ability and skill, lack of persons that can do the analysis and awareness problem and even problem related with governmental procedures to get license and the like



Source: compiled from questionnaire

The above pie – chart shows 43% 920) of the enterprise are managed by one individual followed by 32% (15) are managed by one individual with having consultant from other and the rest 25% (12) of the business enterprises are managed by two or more individuals.

From this we can conclude that the majority of the enterprises were managed by one individual. So it put up with in adequate management that they surpass certain individual ability to manage and plan.

Table 3 The type quality and design of the product/ service/ merchandize to satisfy consumer needs

Response	Respondent	Percentage
Yes	15	37.5
No	32	62.5
Total	47	100

Source: compiled from questionnaire

As the table shown 37.5% of the owners respondents as the type, quality and design of their product /service/ merchandize satisfied consumer need and 62.5% of the owners responds “No” those owner who respond “No” provide different reasons for the dissatisfaction of consumers.

As the respondents fill the questionnaire that even though there is a growth in type, quality and design of their product /service/ merchandize there is still problems in satisfying consumer need and wants.

The obstacles, mentioned by the owners (respondents) are generalized as follows.

- The need of the consumer changing from time to time in line with the change in technology. So it makes difficult to satisfy the need of all consumer.
- The attitude of consumers for locally produced products is not as such good. In addition to this lack of infrastructure, shortage of market and the like problems are reasons for dissatisfaction product /services/merchandizes as responded by the owners.
- This indicates that still this sector is operating in traditional wasy that result not to coup up with the change in technology and also owners are not as such advertizing their product and services to create value/positioning/ in the mind of consumer

Table 4 – Advantages from governmental bodies

Response	Respondent	Percentage
Yes	17	42.5
No	30	57.5
Total	47	100

Source: compiled from questionnaire

The above table shows 42.5% of the owners respond as they get advantages from the governmental bodies in the form the following way:

- By creating opportunity to promote their product or service
- By creating opportunity to be competitor in the market and by facilitating to participate in innovative activities.
- By providing training in skill and technological transformation

While 57.5% of the owners responds “No” so that as they responded they need the supports from the government among this:

- The government should create opportunities to promote their product/service/ merchandize in the market by preparing programs like trade bathars.
- They need illegal competitors to come to legal activities and fair price and market competitors.

All most all of the respondents wants to solve the lack of infrastructure shortage of raw materials and other problems.

In general the greater percentage of respondents responded that they did not get enough support /advantage/ from governmental bodies

Table -5 Desire to recruit new workers

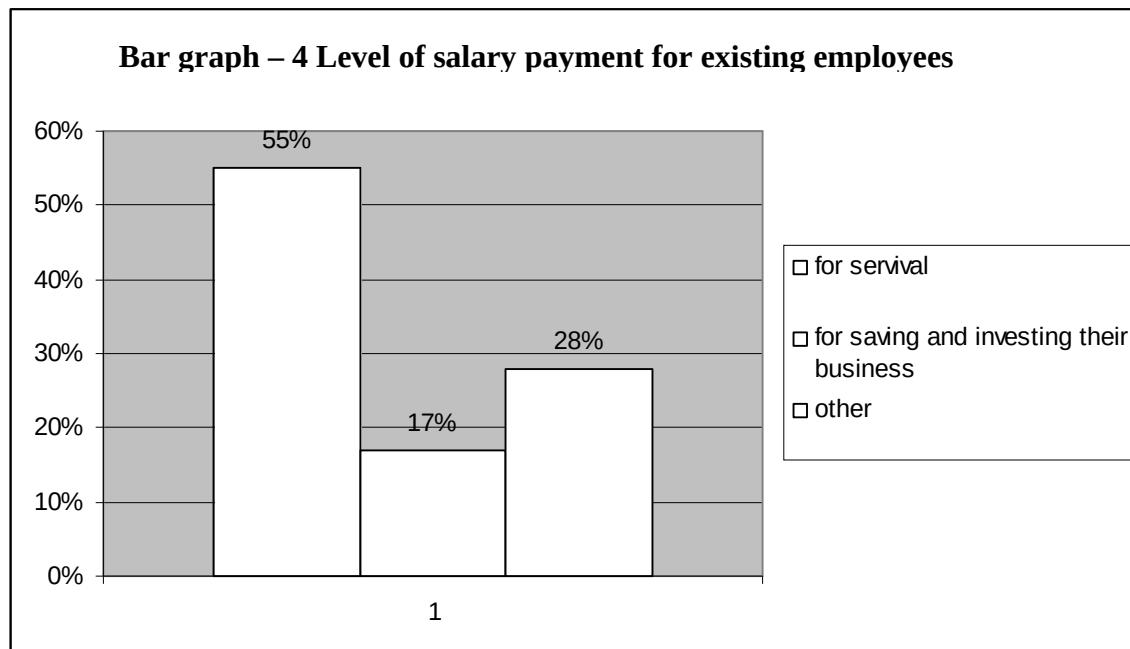
Response	Respondent	Percentage
Yes	36	77
No	11	23
Total	47	100

Source: compiled from questionnaire

As indicated in the above table the majority of the owners (77%) of total respondents as they have desire to employee additional new workers and 23% responds “No” the reason of owners those who responded “No” to recruit new workers were reason out the following

- They have sufficient number of employees
- Existed order and in capability of their enterprises to recruit new workers.

Thus it indicates that most of the owners are willing to recruit new workers so it will results to relive the problem of the town by absorbing large number of work force in the long run. So it insured the prospect of the enterprise in the future.

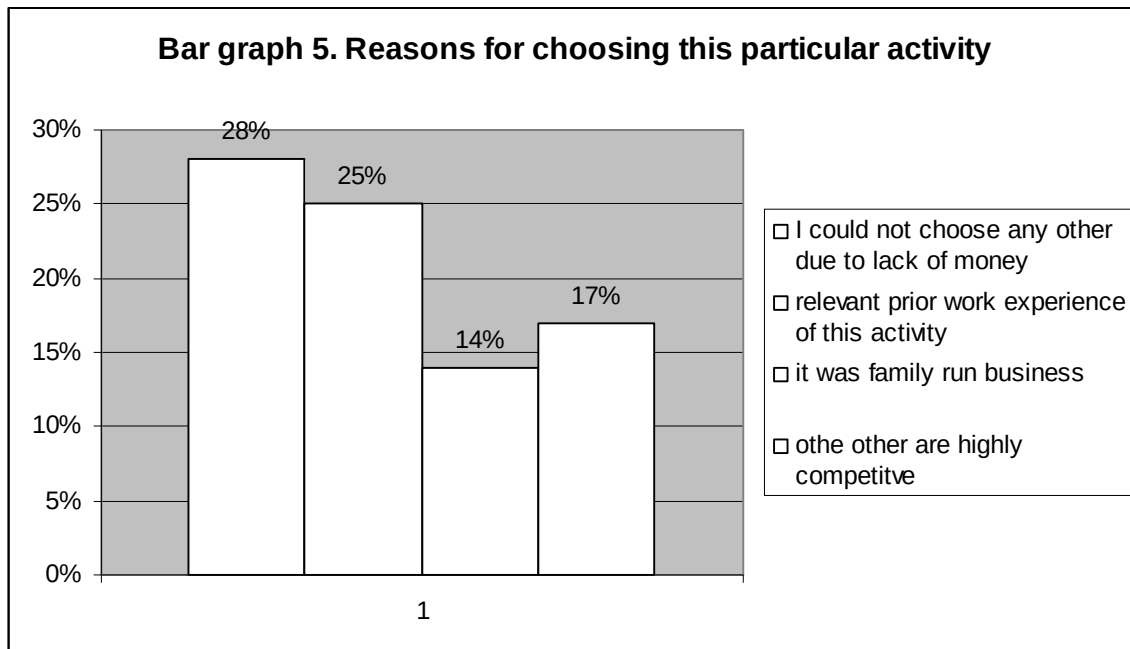


Source: compiled from questionnaire

As the bar graph shows 55% (26) of the owners of SSE’s pays for the employees for survival level wage, 17% (8) pays for saving and investing their business and those who constitutes other 28% (13) of the owners pays in addition to saving ad investing their business to be able to conduct new business by integrating their business and knowledge and the experience they get from this enterprise.

From this we can infer that most of the owners of the enterprises salary level is for survival even if this is true they are encourage to do in this sector to get expericne and

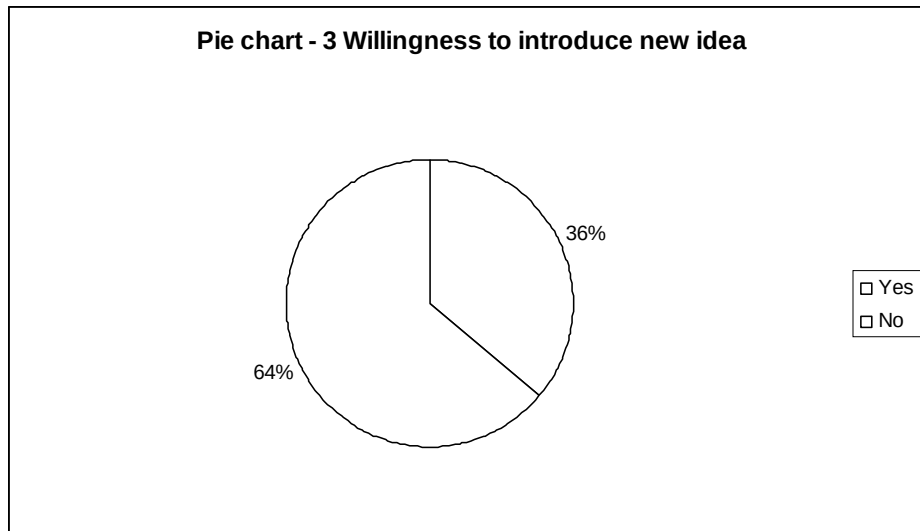
knowledge and then to run their own business this shows the prospect of this business in the future.



Source: compiled from questionnaire

From the above bar graph we can see that 28% (13) of the respondents replied as they could not choose any other due to lack of money, and 25% (12) of them replied as relevant prior work experience of this activity and the majority 30% (14) of the respondents said. It was family run business while the reaming 17% (8) of them responded that they are highly competitive.

This indicates the largest share of the entrepreneur choose this because it was family run business. This means that family traits play an important role in entrepreneurship.



Source: compiled from questionnaire

The above pie – chart shows that 64% (30) of the respondents (owners) taken from the samples replied as they are not willing to introduce new idea and the remaining 36% (17) of them replied as they are willing to introduce new ideas

Those who replied “No” reason out the following

- ✓ Fear of failure in the new idea introduce
- ✓ Fear of competition
- ✓ Increased responsibility

Among the respondents who said “yes” reason out the following

- High profit
- Community service
- Personal satisfaction by being introduce new idea
- Independent
- Facing challenge

Form this we can conclude that this enterprises has a lot of problem and at the same time it has a future prospect so by coup up the problem and prospect it is possible to achieve the intended goal.

Table – 6 Source of idea used to establish new business

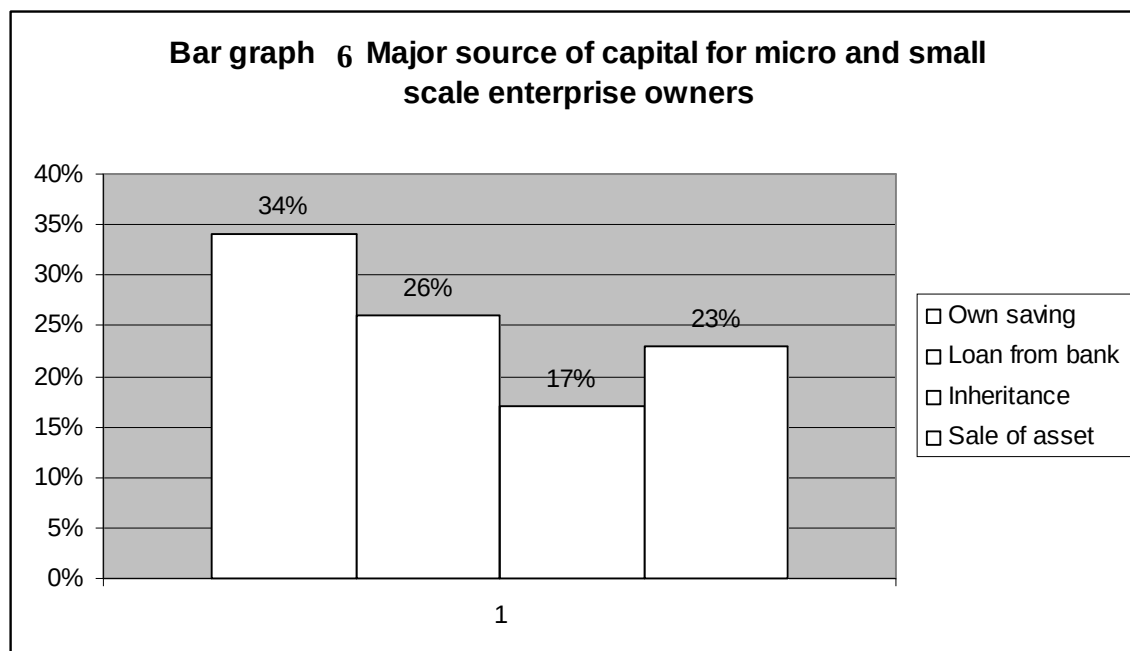
Response	Respondent	Percentage
Customer	20	43
Existing business	22	47

Government rule and regulation	5	10
Total	47	100

Source: compiled from questionnaire

As it is shown in the table, customer used as a source of new idea constitute 43%, existing business constitutes 47% and the rest 10% constituted by government rule and regulations.

This clearly shows that the majority of the enterprise owners used as a source of new idea is existing business followed by customer from this government is not as such important source for establishing this business



Source: compiled from questionnaire

As shown in the bar graph above 34% (16) of the entrepreneur's source of capital was own saving, 26% (12) of the entrepreneurs source of capital was loan from bank, 17% (8) inheritance and the rest 23% (11) of the respondents source of capital was sale of asset.

From this one can conclude that most of the owners source of capital was on saving, this would result the owners to have their own strong effort not to lose their own money and loan from bank this also has its own effect on the owners not to lose their collateral, so it has its own contributes to use their effort as much as possible

Table -7 Business experience before starting this business

Response	Respondent	Percentage
Yes	32	68
No	15	32
Total	47	100

Source: compiled from questionnaire

As the table shown 68% of the owners responds as they have business experience before starting this business and the remaining 32% has no prior business experience.

From this we can see that most owners of SSE'S have prior business experience this means this prior experience is important for the success of the enterprise.

4.3. Intention to work in SSE's in Chiro town

Most employees replied that they were initiated to work in this enterprise, to be independent. As a means of self help and to support families, as I had not alternative income source while some others responded that they were initiated to get work experience, ability and skill, knowledge about different work.

At the end they responded about the future prospect o the enterprise which they were working. They were responded as, if we use the unexploited entrepreneurial potentials its inevitable fact that there town will be one of the town which will ensure solve the problem of the society in the near future.

They also responded in addition to the above the other prospect of these enterprise is its ability to absorbed unemployment because of its lab our intensive sector.

4.4. Service provided by bereau of trade transport industry and investment

To reduce the problem and widden the prospect of entrepreneurial activity. The expansion of micro and small scale enterprise is important. Therefore, the Chiro town

regional government by giving attention for this sub –sector was provided different support.

Among the service provided by T.T.I.I. are organizing, training, technology and market integration in addition to the above the following service also provided by T.T.I.I.

- By integrating with micro and small scale enterprises agency technological transformation training were provided for the owner.
- To create favorable conditions for owners of micro and small scale enterprises different activities are done like manual for provide and repayment and manual for provision of land to establish enterprises and other manuals are prepared.
- Activities and societies those need priorities were identified.
- Technological skill development provided from owners of micro and small enterprises.

Planned activities for year 2003

- Preparing cluster for this enterprise.
- Indicating industry zones and fulfilling infrastructures
- Making micro and small scale enterprise to get work without auction by integrating with concerned bodies.
- Creating market integration between different owners of micro and small enterprises.
- Creating favorable conduction for micro and small enterprises to get loan from small credit associations

So that if this micro and small scale enterprises were gained the above planned activities as there are unexploited entrepreneurial potentials it is in evitable fact that the town will insure solve the problem of the society in the near future.

4.5. Problems of micro and small scale enterprises

In order to appreciate the challenges we face in the effective and efficient promotion of micro and small scale enterprise and realize, their constraints.

Entrepreneurs, both existing and emerging, are the actor in this economy and will create wealth and employment and ultimately provide the basis for economic progress. In present day Chiro, although significant measures have been taken, micro and small scale enterprises still face serious obstacles both at the operational and start up level some of the most critical constraints raised at different forum includes access to finance, access to premises and land, lack of infrastructure, lack of training in entrepreneurial and management skill, lack of information in business opportunities (Andualem, 2001: p. 43)

CHAPTER FIVE

5. Summary, Conclusions and Recommendations _

This chapter summarizes the main findings of the study and forwarded recommendation based on the conclusions.

5.1. Summary of findings

This part revealed the major findings from the study on problem and prospects of micro and SSE'S inChiro town. To conduct this research unstructured questionnaires, primary and secondary data were used; in addition unstructured interview was conducted to come up with the following findings.

The survey indicates that male participation is far better than females. Most of the owners of this enterprises were completed their primary and secondary education.

The number of these enterprises is increasing from time to time. This is particularly because of the prospect of the sector and the attention given for the growth and development of these enterprises by the government.

Owners of the enterprises started their business with the intention of desire to work for oneself, desire to accumulate wealth, to earn for survival. In addition to the above reasons 32% of the respondents reasons out it, the future prospect of this sector initiates them to start.

The finding indicates that there is a lot of problem about entrepreneur to mention them, lack of management skill, financial problem, Lack of merchandizing skill, myth results from lack of research on entrepreneurship.

The study shows that the type, quality and design of products, services and merchandizes of this enterprises does not satisfy the needs of consumers the reasons for this were provided by the owner.

The study revealed that the government was provided and support micro and SSE's through organizing, training, Technology and integration. But these supports are not sufficient so it has strategic plan for future supports.

This sub sectors faces different problems almost similar to the country side at the time of establishment up to conducting and achieving the objective of the business.

Among this problem; absence of market, shortage and backwardness of materials for production, skill, training, inputs, finance, competition in free market and information are the majors. So that the government and other concerned bodies has to have a plan to alleviate and reduce this problem for the development of micro and SSE's in the town.

5.2. Conclusion

The researcher finally comes with the following conclusions based on the findings regarding the problem and prospect of entrepreneurial activity in some selected micro and small scale enterprise in Adama town.

The study has assessed the problem and prospect of entrepreneurial activity.

- The participation of males are greater on the entrepreneurial activity compared to females.
- Most of the owners in SSE's were under grade 12 educational level, between 25 – 40 years old.
- The samples SSE's was recently founded in creased 2001 on WARDS WHICH SHOWS the establishment of the SSE's is increasing in every year.
- Financial problem, lack of awareness about the importance of SSE's lack of ability and know –how how to run this business,
Absence of analysis were some of the problem of the SSE's owner to start new business.
- Nearly half of the sample SSE's was managed by the single one individuals.
Even though the number of the enterprise is in a growing trend, above half of the owner of the enterprise mentioned as there is still problems in satisfying consumer needs and wants, inconsistent production capacity of the enterprise, wrong perception of consumers to locally produced products were the major problems failed to satisfy consumer wants.
- More than half of the owners assured as they were not get support from governmental bodies at sufficient level.
- Most of the owners of SSE's has the intention to recruit new workers
- About more than half of the SSE's employees were gaining payment for survival from their enterprise.
- Family running business was the reason for most of the SSE's owner to choose this business he/she runs.
- Most of the sample small scale enterprise had the willingness to open (run) new business

- Customer and existing business was the main source of new ideas to establish the new business for most of the sample SSE's owners.
- Own saving, loan from bank, family and sales of asset was the main to less source of capital to the sample SSE's owner.
- Majority of the sample SSE's owners has business experience before starting this business

As per the employee response from the interview, most of them are working in this SSE's for survival and to get better payment and added that as there was absence of reward in the SSE's

- The employees mentioned that experience exchange, ability and skill were some of the advantage they gate in SSE's they blamed as there is absence of financial rewards in SSE's they are working and they added that as there is un exploited entrepreneurial potential.
- As per the response from T.T.I.I. on the supports and service the majority it is on organizing, training, technology and market integration.

5.3. Recommendations

Based on the problem identified from the sample respondents of SSE's owners, the following recommendation suggested to improving the efficiency of the research process.

- Since most of the owners were under 12 grade it will constraint to go far on the creativity process, so it is better to upgrade their educational level, and participating on training which is given for awareness creation of the small business operation.
- Even if the newly opened SSE's is increasing from time to time there was problems on the owner to start the new business which is basically financial problem, so the owner has to look alternative source of income and the government too should support them to be competitive and creative in their business activity.
- Those SSE's which are manage by a single manager is better to consult and share with other on the decision regarding the business activity.

If the above listed supports are provided in sufficient manner the capacity of the entrepreneurs can improve and by that they can play a great role and contribution for entrepreneurship activity and reduction of unemployment in the town. By that it is possible to increase the overall economic contribution of entrepreneurial activity in the town.

The other problem is non – productivity of this enterprises to satisfy the need and wants of consumers. Most consumers are not satisfied by the type /quality/ design of products /services/merchandizes of micro and SSE's in the town, failure of these enterprises to be competitive in identifying better products when compared to exported products and difficulty in identifying the needs of consumers and other problem are existed in addition to this products /services/ merchandizes those needed by consumers some time not available so to solve the problem the following measures are recommended as a solution.

- o Small – scale enterprises especially in small – industry areas should adopt, search and use different technologies those helps to be productive.

- o Owners of this enterprises should seek information from clients, suppliers or competitors and do research how to provide product /service merchandize with best quality /type/ design.
- o They should determine the need and want/ demand of consumers and potential customers to deliver products and services effectively and efficiently.

They should strive to keep consumers satisfied and place long – term good will and short – term gain.

The government should encourage the coordination of government institutions, chamber of trade and industry, micro and small enterprises agency and other NGO's for supporting this enterprise and on alleviating problems encounter them like absence of market, shortage and backwardness of materials for production skill, training, input, finance and information are the majors.

In general if the problems that hinder the growth and development of small – scale enterprises mentioned above and pointed by the owners and government were solved this enterprises can play a greater role and can have attractive future in reduction of unemployment and the like problem of the town.

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APPENDIX
JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

The general purpose of this questionnaire is to conduct a research on problem and prospects of micro and small scale enterprise in Adama town. Your responses are very much important for the success of the study and you are expected to be confidential, you are kindly requested to fill the questionnaire

You do not need to write your name and address, only write the necessary information in the space provided and put an (X) mark in the box.

Thank you for your cooperation!!

Personal information

1. Sex

☐ Male

☐ Female

2. Age

18-25 ☐

26-40 ☐

41-64 ☐

above 65 ☐

3. Educational level?

1-6 ☐ 7-8 ☐ 9-12 ☐ >12 ☐

4. Type of business you are running

Merchandize ☐

Service ☐

Small scale industry ☐

5. When was start running the business?

6. What was your intention for starting the business? (more than one answer is possible)

Desire to work for oneself ☐

Desire to accumulate wealth ☐

To earn for survival ☐

An opportunity presented it self ☐

Others Mention

7. What is the problem you face to start the business?

Financial problem for conducting ☐

Lack of ability and skill ☐

Lack of persons that can do the analysis ☐

Lack of awareness about its importance ☐

Other mention ☐

8. How is the business managed?

Solely by one individual ☐

By one individual having consultation from other ☐

By two or more individuals ☐

9. Do the type quality and design of your products /merchandize/ service get improved from time to time?

Yes ☐

No ☐

10. If No for the above question, why not?

11. Do the type, quality, design of your product/ merchandize service is satisfying the customers need?

Yes ☐ No ☐

12. If you say no for the above question, what do you comment the dissatisfaction of customers?

13. Do you get any advantage from governmental bodies? (More than one answer is possible)

By creating opportunity to promote your product and service ☐

By creating opportunity to be competitive in the market ☐

By facilitating you to participate in innovative activities ☐

Other, mention _____

14. If you respond No for the above question what kind of support you need from government bodies? _____

15. Do you have an intention to employee workers in your business?

Yes ☐ No ☐

16. Do you pay enough salary that change their life for the existing employee?

Yes ☐ No ☐

17. If you say “Yes” for the above question, in what aspect

For survival ☐ For saving and ☐

Investing their business ☐

If others/ mention _____

18. What was the major source of your capital

Own saving ☐

Sale of asset ☐

Loan from bank ☐

Inheritance ☐

19. Did you have any business experience before starting this business?

Yes ☐

No ☐

20. What was your major reason for participating in this business

As a means of self help and to support families ☐

I had no alternative income source ☐

To keep busy ☐

To be independent ☐

21. What did you choose this particular activity?

I could not choose any other ☐

Due to lack of money ☐

It was family run business ☐

The other are highly competitive ☐

Relevant prior work experiences ☐

22. Are you willing to introduce new idea that is not used by others?

Yes ☐

No ☐

23. Which source of new idea did you use to establish this business?

Customer ☐

Government rule and regulation ☐

Existing business ☐

By come across ☐