

Factors Determining Financial Performance of Micro and Small Enterprises in West Arsi Zone Kore District

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Abstracts

Today the role of MSE is crucial in every economic development aspects. Even though this sector plays fundamental role in the economic development of the nations, it is constraints with different factors. The Constraint faces micro and small enterprises are different in its condition and determine it at all its various development stage. Some the SMEs faces these constraints at its startup/establishment/ other at growth stage and others even at maturity stage. Even though their development stages are different and their wants also depends on their size of development, the determinants that determine their performance are more or less comparable. From these constraints financial performance is one of the main factors that are affecting Micro and small enterprises performance. This study focused on the factor that determines the financial performance of Micro and Small enterprise in Kore district with a special emphasizes on manufacturing, urban agriculture, service and petty trade sectors. Bothe primary and secondary data was used for the study. By using Yemanu 1967 sampling techniques, 129 of SME were selected. The information's were collected based on Stratified random sampling technique. In addition in this study data were analyzed by using descriptive narrations. The study analyzed different major challenges which highly affect financial performance of Micro and Small Enterprise in kore district, which are: inadequate finance sources, lack of business management skill, lack of marketing skill and poor entrepreneurship skills. It is recommended that government has to focus on the facility of micro finance institutions and micro and Small enterprise capacity building training like Business development strategies i.e.training on Entrepreneurship skill, Marketing ,financial management and etc.

KeyWords : 1. Micro and small enterprise 2. Financial performance 3. Entrepreneurships skill 4. Business Management Skill 5. Marketing management skill 6.Financial Institutions

1. Chapter One

1.1. Back ground of the study

Know a day in many countries not only developing countries but also in developed countries micro and small enterprises are playing a vital role in economic development. Especially youths and women are highly benefited from this sector. In addition to this,It is used also as industrial transformation of the economic system. Many developing countries are used this sector as the solution for unemployment problems.

The dynamic role of micro & small enterprises (MSEs) in developing countries as engines through which the growth objective of developing countries can be achieved.

As several findings show that, youths who are engaged in these business sectors are using them as entrepreneurship and job creation opportunities. Fisseha's findings state that 22% of Micro and small Enterprises employ adult population in developing countries (Fisseha 2006:43). On the other hand, the International Labor Organization stated that, The MSE sector has also been instrumental in bringing about economic transactions by providing goods and services, which are adequate quality and responsibly priced to a large number of people. i.e. without requiring high level training, large sum of capital and sophisticated technology (ILO, 2008).

Ethiopian countries as one of developing countries, micro and small enterprise sectors are relative to those of African and other developing countries. According to the Federal micro and small enterprise development agency, it highlighted that, Government had established the small micro enterprise policy in 1998 to provide employment opportunities for youths, women and for those society of low level income (FMSEDA, 2006) by emphasizing the role of MSEs and provide support to this sector. The government segments this micro and small enterprise sectors into different five sub-business activities. These are manufacturing, construction, urban and rural agriculture, service and trade/petty trades sector. Even though this sector is contributing to the economic transformation in Ethiopia, it is facing different challenges. i.e. there are many more determinants which determine these sectors. From these challenges the aim of this study i.e. determinants of financial performance of Micro and Small enterprise is one of the target problems.

1.2. Statement of the problem.

SMEs are the main economic catalyst for economic transformation from agriculture to industrial economic system. This transformation becomes successful when the constraints are managed or effectively solved. The constraints facing SMEs are different in their conditions and determine it at all its various stages. Some SMEs face these constraints at their start up/establishment/ other at growth stage and even at maturity stage. Depending on its development stage the determinants that face SMEs are various.

Even though the stage of SMEs is different and their wants depend on the size of development, the determinants that determine their performance are comparable. Different studies show that; In Africa, the failure rates of SMEs are 85% due to lack of skills and access to capital (Fedahunsi, 1997). World Bank study findings designate that, MSEs in Africa to be lacking in business skill and collateral to meet the existing lending criteria of financial institutions (World Bank, 2004) this World Bank study identifies that, lack of business skill and finance is still the crucial problem to MSEs.

On the other way, lack of access to finance is the most influential factor from among all adverse determinants delaying the growth and development of the Micro and Small Enterprises sector in Ethiopia (Zelege Worku, 2009). In addition to this that lack of access to finance is the most and vibrant determinants that most SMEs are facing currently in Ethiopia (Admasu 2008).

From these it is visible that, determinants of Micro and small enterprises are various. To address some specific financial performance determinants: this study aims to provide all-inclusive views of factors that determine the financial performance of Micro and Small Enterprises at Kore district since there is no any study conducted on this issues in this study area.

1.3. Basic Questions

- What are the factors that determine financial performance of MSEs in Kore district?

1.4. Objective of the study

The main objective of this study is to assess financial determinants that are mostly determining the financial performance of MSEs in Kore district.

1.5. Specific objective

The specific objectives of this research were:

- To investigate whether an adequate source of finance determines financial performance of MSE.
- To assess the effect of Lack of business management Skill on financial performance of MSE.
- To evaluate determinants of Lack of marketing skill on financial performance of MSE.
- To identify the effects of poor entrepreneurship skill on financial performance of MSE.

1.6. Research Hypothesis

By analyzing data on for the achievement of the above objectives the following hypothesis were tested:-

H01. In adequate source of finance does not determine financial performance of MSEs.

H02. Lack of business management Skill does not determine financial performance of MSEs.

H03. Lack of marketing management skill does not determine financial performance of MSEs.

H04. A poor entrepreneurship skill does not determine financial performance of MSEs.

1.7. Scope of the Study

This study is delimited on MSEs west Arsi Zone Kore district. Those Micro and Small Enterprises fulfilling the standards agreed by the government were included as part of this research. This study investigated that factors that determine the financial performance of MSEs specially manufacturing, Urban and Rural Agriculture, service and petty trade sectors in West Arsi zone Particularly in Kore district. The sampling had taken from all legally registered MSE in the district.

2. Review of Literature

2.1 Definition of Micro and small enterprise

Micro and small enterprise are defined in a variety of ways using various factors. Although many countries around the world seem to use common factors in their definition, the degree of emphasis and measures used differ quite considerably. These factors include number of employees, volume of sale, and the capital values of business. Generally there are two types of definitions. The first is operational definition, which are largely used for working purposes and the other is theoretical definition, which are generally employed to characterize the sector. In recent time, there has been some degree of convergence in MSEs definitions particularly in Europe. The European commission defines MSEs using combination of employee numbers, annual turnover or balance sheet total and ownership.

However the convergence does not in any way suggest a common agreement of the specific numbers inter of these variables. To this end different government definitions of MSEs differ considerably. This difference is influenced largely by two factors. These are population & stage of a country economic development and industry, within which the MSE is competing (Hillary, 2000). Definition of MSEs in the developed country would differ from how defined in the developing countries. An enterprise categorized as micro enterprise in Europe may be defined as medium enterprise in Africa for the fact that the definition of MSEs is annual turnover. Again the acceptable number differ from country to country depending on other factors on population and stage of economic development. For example the accepted definition of small enterprise in USA is an entity which average annual gross revenue for the preceding three years not to exceed \$15 million, this shows that there is no common definition of MSEs and that the definition varies from country to country depending largely on the economic development of country. As it is clearly stated above the definition of SME depends on different variables, when we see Ethiopian government definition summaries as follows.

Therefore the Ethiopian government defines MSEs based on the size of capital and number of employees of the SMEs (MSE strategy, 2004) depending on their sector the Ethiopia government defines that micro

enterprise are those small business enterprise with a paid capital of not exceeding Birr. 100,000 and with <_ 5 employee for service sector its paid capital of not exceeding Birr 1.5 mill and with 6-30 employee for industry sector and for service sector enterprise with paid capital is not exceed 500,000 and with 6-30 employee.

Table.2.1 Definition of MSEs according to Ethiopia Trade and Industry office.

Enterprises	Sector	Employee	Capital
Micro- enterprise	Industry	≤	≤ 100,000 ETB
	Service	≤	≤50,000 ETB
Small enterprise	Industry	6-30	≤1.5 million ETB
	Service	6-30	≤500,000 ETB

Source: - Ethiopian Micro and small Enterprise strategy (2010)

2.3. The role of micro and small enterprise in poverty reduction.

The role played by MSEs, through the various Socio-economic benefits emanating from the sector was found to be eminent in the overall development effort and process of nations. In other words , by generating larger volumes of employees as well as higher levels of income , the MSEs will no only have contributed towards poverty reduction , but they will also have enhanced the well fare and standard of living of the many in the society (mukras, 2003:58-69)

Current international thinking is in harmony with a view that acknowledges MSEs as tool to fight poverty in the long run. The UNIDO approach to this is worth mentioning here ; poverty reduction is simple not going to happen by government but only through private sector dynamism .This UNIDO evidence directly linking MSEs as its solution for poverty reduction ;even in the most developed economic its contribution for economic development is high. There are suggestions of greater employment opportunity for poor low skilled workers increased skills development and broader social impacts. The movement to support MSE development internationally reflects a return to promote poverty reduction by investing in private sector driving strategies' by the entire major multilaterally agencies. Poverty reduction strategies'(PRSS) currently being formulated in many developing country place a more pronounced emphasis on the contribution that the private sector will have to make compared to the over –reliance on the social agenda that characterized earlier poverty reduction strategies'(primal k. &Prasad ,n.d;2-29) In conformity with the above view advanced by UNIDO and as an organization concerned to the condition of labor ,The ILOs approach to poverty reduction is through small enterprise development .This strategy focuses on the need of poor people Who are part of the MSEs economy ,as owners or operators and workers , as their dependants, as the unemployed who may benefits from job creation and as customer , will further strengthening the above show approach ,Vandenberg (2006:18)suggest that :- The ILO's existing strategy for poverty reduction through small enterprise make positive contribution to poverty redaction when they provide employment ,adequate level of job quality, and low cost goods and services used by the poor entrepreneurship combined with productivity increase ,is a key in gradient for poverty redaction through small enterprise development : and vibrant enterprises competitive markets and fair globalization can make a significant impact on poverty reduction (Robert Galan Mashene 2014.32) there both UNIDO and ILOs finding shows that ,SME contribution in the economic development specially for developing country have major role. So the sector has absorbed many of unemployed who have been economically low. They pointed that the income generated from being engaged in MSEs primarily used to satisfy the poor's own physiological need and those of their family , and then to provide home and food security for the house hold. They specifically claimed that MESs help the urban poor by making them financially secure which in turn limits or reduces the depression ,vulnerability and material and non –material hardships that came with poverty.

2.3. Micro and small enterprise for economic growth 'pro 'and contra' argument

There are two polarized thoughts, according to (Agyapong, 2010: 196-205 : Anderson et al ,1994:129-133 and Stales and Morse ,1965:31) the role and contribution of MSEs to economic growth and poverty reduction 'pro and contra' Arguments. Their work often classifies field and modern theories on MSEs development. The contra arguments predict that advantage of MSEs will diminish over time and large enterprise (LEs) will eventually predominate in the course of economic development marked by the increase in income. In line with this shortcoming and pessimism Admassie and Matambalya (2012 :1-29) for instance, concluded that high level of technical inefficiency which reduces their potential output levels significantly. Research carried out by Biggs (2012 cited in Tegegne and Meheret ,2013:14) strongly questions the role played by MSEs to minimize the incidence of high level poverty in most developing economies through employment creation, income generation and multiplier effect on the sector of economy. While the pro argument view is based on experience from many countries showing the contra argument seems to get less support as many international aid agencies, including the World Bank (2011:41) the World Bank give three core arguments in supporting MSEs in LDCs which are in line with the argument of the modern (pro) paradigm on the importance of MSEs in the economy (World Bank, 2011 cited in Tulus T, 2012:5).

First MSEs enhance competition and entrepreneurship and hence have internal benefits on economy-wide efficiency, innovation and aggregate productivity growth, second, MSEs are generally more productive than LEs but financial market and other institutional failures and not conducive macroeconomic environment impede MSE development. Third, MSEs expansion boosts employment more than LEs growth because MSEs are more labor intensive.

In other words, the World Bank believes that direct government support for MSEs in LDCs helps these countries exploit the social benefits from their greater competition and entrepreneurship, and their MSEs can boost economic growth and development.

The above arguments do not mean, however, that LEs are not important, or MSEs can fully substitute the role of LEs in the economy. Even, there are doubtful views from many others about this World Bank's Pro-MSE policy. Some authors stress the advantages of LEs and challenge the assumption underlying this policy. Specifically, LEs may exploit economies of scale and more easily undertake the fixed costs associated with research and development (R and D) with positive productivity effects (Tulus Tabunan 2012:5)

2.4. The micro and small enterprise sector in Ethiopia

The Ethiopian government released the country's first MSEs development strategy in November 1997. The primary objective of the national strategy framework is to create an enabling environment for MSEs. In addition to this basic objective which includes, facilitating economic growth and bringing about equitable development, creating long-term jobs, strengthening cooperation between MSEs providing the basis for medium and large scale enterprises, promoting exports and balancing preferential treatment between MSEs and bigger enterprises (MoTI, 1997 :8-27) The strategy outlines the policy framework and the institutional environment for promoting and fostering the development of MSEs and stimulating the entrepreneurial drive in the country.

2.4.1. The implementation strategy structure of strategy

The two most important institutions that are directly involved in the promotion of MSEs are MoTI and the newly established MSED. The latter is envisaged to operate at the federal and regional level of government (MoTI, 1997:8-27).

2.4.2. The ministry of trade and industry

The ministry of trade and industry has responsibility, as the organ of the federal government for the formulation of policy and strategy to promote the expansion of enterprise and to facilitate the provision of assistance to MSEs. The other duties given to the ministry to support and create conducive environment for development of private promotion institution. Regional bureau of trade and industry were delegated to develop and promote the sector in their regions by coordinating regional activities and creating network with business associations to strengthen the flow of information to MSEs (MoTI, 1997:8-27)

2.4.3. The federal micro and small enterprises development agency

To further insure the proper institutional coordination for MSE support function the government created the new federal micro and small enterprise Development agency (FeMSEDA) in 1998. In addressing above objectives, FeMSEDA is expected to provide support to the regional micro and small Enterprises Development agencies (ReMSEDA).

The FeMSEDA (2006:39-42) provide that :- leadership by delivering 'training the trainers' program to equip regional agencies, business association, and other professional to deliver entrepreneurship training and facilitation service and BDS to MSEs studying the problem of identifying viable marketing for MSEs and addressing product quality issues: disseminating information to MSEs and advising government on MSEs policies and strategy. FeMSEDA also operate skill and technology training facility, much like in incubator, where training is offered in wood working, metal working, garment making, and handcrafts. It also provide a market outlet for MSE product in its sells and display center and organize MSE product exhibitions at national and local trade fairs.

The FeMSEDA has been established as an autonomous governmental institution having its own legal identity and run by a board of management which includes representative of the private sectors. Participation in the management of enterprise promotion agency in new approach in Ethiopia. The FeMSEDA is directly accountable to the MoTI. In 2000, the regional government also provided for the establishment of ReMSEDA, provides institutional support. By this process (in 2000) a small and micro enterprise office has been established. Starting from its establishment of office has been preformed organizing many SMEs in the town. (Kore municipality profile 2003:11)

2.5. The concept of Business performance

According to Martin (2010:67) performance is defined simply in terms of output terms such as quantified objective or profitability. Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K. J., 2009:31) the issues that remain unresolved are the goal against which performance should be assessed and from whose perspective to define performance the goals should be established (Etzioni, n.d.128)

Global entrepreneurship monitor (GEM) define performance as the act of performing: of doing same thing successfully: using knowledge as distinguished from merely possessing it (GEM, 2004:10) However performance seems to be conceptualized, operationalized and measured in different ways thus, making cross comparison difficult (Srinivasan et al., 1994:22) Among the most frequently used operations are survival, growth in employees and profitability. (Admasu 2010:22)

A business enterprise could measure its performance using the financial and Non-financial measures. The financial measures include profit before tax and turnover while the non-financial measure is focus on issues pertaining to customers' referral rates, delivery time, waiting time and employees' turnover. recognize the of relying solely on either the financial or non financial measures owners-manager of the modern small business has adapted a hybrid approach of using both the financial and non financial measures (H Gin Chong, 2008:13)

Roy and Wheeler (2006:452-464) identified that the level of training of micro entrepreneur both formal and in formal experience and number of years in operation “ knowledge of the market level of differentiation (in term of price , quality or other and diversification of products accesses to necessary resource and or technology: level of planning vision for the future and the entrepreneur’s level of poverty are among the factor contribution to success of NSEs while lack of market knowledge and, training limited access to capital , and lack of co-operation among possible business partners are some of partner inhibited the growth and development of the micro enterprise sector.

2.6. Determinants that determine performance of micro and Small Enterprises

There are various factor that determine the performance of SMEs in developing countries . when we see Ethiopian SMEs is different scholars assessed that SMEs are found to be in adequacy of finance , low level of education , inadequacy of market linkage , in adequacy of business information , low level of managerial skill, level technical skills , ability to convert part of their profit to investment etc. This is so because this finding of study relieved that businesses that failed , during the study period where characterized by inadequate finance (61%) low level of education (55%) poor managerial skill (54%) shortage of technical skills (40%) and inability to convert part of their profit to investment 46% . The study further indicated that most SMEs to solve their financial problem their research for finance different sources. From these sources some of them are in appropriate to provide finance to SMEs some of them interested high other are maturity date are short and etc. Participation in social capital and network schemes such as Iqub was critically help full for long term survival of the enterprise . (Eshetu and Zeleke 2008:2-9)

With regard to sources of initial capital of the studied enterprise the study indicate that the main , ones were loan from MFI (66.7 %) personal savings / Iqub(17.5%) and loan from family or friends (17.1%) moreover , the concrete problem that the targets MSEs faced at their started up were lack of capital (52.8%) skill problem (17.1%) more over Daniel (2007:49) identified that lack over raw material , stiff completion and shortage of working capital . (Paul and Rahel 2010: 89-92)

On the other hand the major constraint identified by varies study on MSEs in Ethiopia are associated with market and finance problem. The course of market related problem of MSEs engaged in metal and wood work are shortage and absence of marketing research , shortage of market information shortage of selling place , and absence of sub contracting (FMSRDA) 2006:34). The product line of MSE activities in Ethiopia is relatively similar. According to Assegedchwoldelul state that:

Lack of product diversity, however , is a prevalent and as a result similar products are over crowding the market . Some micro enterprise shift from one product to other and in doing so , capture better market opportunities. Nevertheless as soon as the market has established itself, a multitude of furthers micro enterprise start of in the same business and this causes the selling price to fall according to Assegedchwoldelul computation also another problem that hinder of performance of MSEs. She explained it. As its mostly the case and common recognition “ competition is Cruel” which implies that me large companies in relation to MSEs have Advantages due to : selling at reduced price without reducing conduct quality using economic of scales , costumer targeting capacity , proper and intensified product /service advertizing capacity , good personal contact and network, sound industry reputation and sufficient information regarding existing market and capacity to exploit more market opportunities. (Assegedchwoldelul ,2004:2). From above every one able to understand those as there are contextual determinate of SMEs are there.

2.7 Conceptual frame work.

Micro and Small enterprise are determined in many factors. Different study identifies that MSEs factors that determine their financial performance in various ways. From this various frames this study have focused according to the following figer.

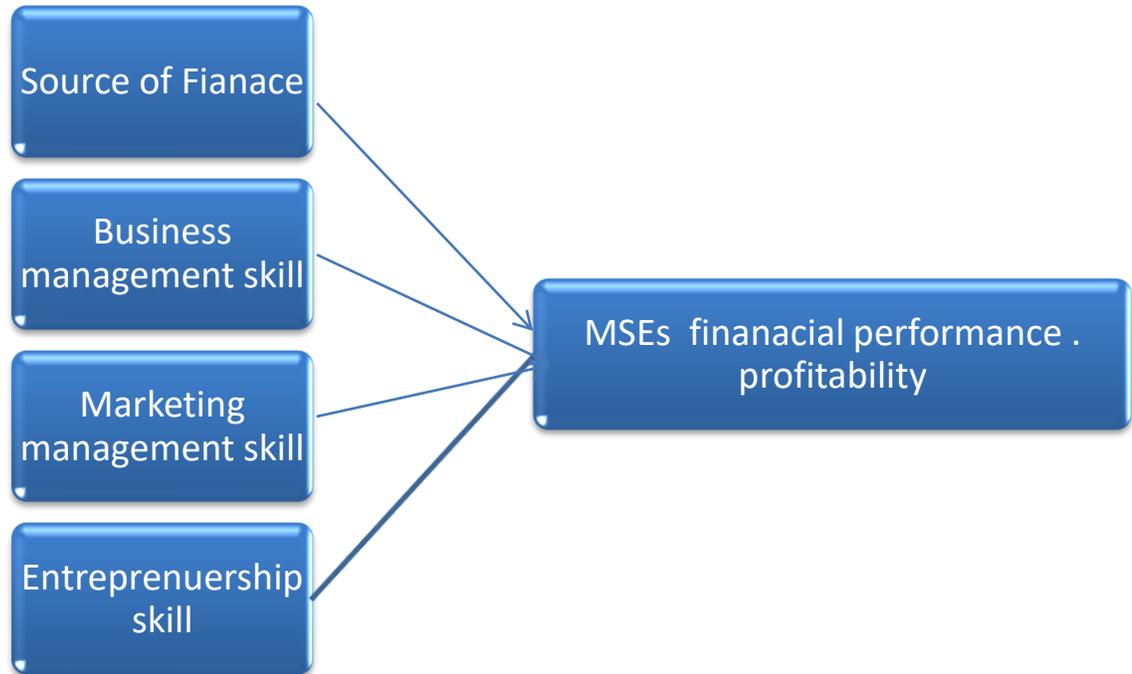


Fig 2.1 own Conceptual frame work for the study

4. Data analysis

4.1.1. General profile of the enterprises.

As it shown from Table below, sample frame shows that from MSEs participants shows that their age distribution are less than 18 years 6.2%,from 19-30 which is the age of youths 32.6%,31-44 the age of productive are 51.2% and the last the one is participants which are participated with the age of more than 45 are 10%. From this as the figure below shows that most of SMEs business are Occupied by productive age youths.

Table 4.1 Age respondents engaged on

No	Age Interval in years	Frequency	Percent
1	Less than 18	8	6.2
2	19-30	42	32.6
3	31-44	66	51.2
4	More than 45	13	10
	Total	129	100

Source: Field survey, 2022

Table 4.2 Business Management related skills.

Item	Manu		Serv		Cons		Trad		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Business Management Skills										
Lack of Communication with Customer skill	3.72	1.32	4.06	1.17	4.37	1.03	3.68	1.17	3.97	1.16
Lack of financial Problem Solving Skill	3.80	1.31	3.68	1.42	4.36	1.03	3.26	1.33	3.77	1.26
Lack of strategic business planning	3.51	1.28	3.82	1.17	4.37	0.79	3.91	1.13	3.91	1.08
Grandmean or standard deviation									3.80	1.28

Source Own survey 2022

From the above table, Lack of effective Communication with Customer skill is the main problem that challenges financial performance of MSE. It shows same mean score of 3.72, 4.06, 4.37 and 3.68 with a standard deviation of 1.32, 1.17, 1.03 and 1.16 for MSEs involved in manufacturing, service, construction and trade respectively. In relative to lack of clear division of duties and responsibility among employees, the mean scores are 3.80, 3.68, 4.36 and 3.26 with standard deviation of 1.31, 1.42, 1.03 and 1.33 MSEs engaged manufacturing, service, construction and trade respectively. Regarding lack of well trained and experienced employees, the mean score of 3.52, 3.82, 4.37 and 3.91 with standard deviation 1.28, 1.17, 0.79, 1.13 and 1.08 of MSEs engaged manufacturing, service, construction and trade respectively.

Table 4.3 Entrepreneurship factors

Item	Manu		Serv		Cons		Trad		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Entrepreneurship factors										
Lack of motivation toward Entrepreneurship	3.80	1.31	3.68	1.19	4.57	0.63	3.26	1.21	3.77	1.27
Lack of tolerance to take calculated risk	3.76	1.60	3.75	1.44	4.42	0.94	3.41	1.44	3.84	1.36
Lack of entrepreneurship skill training	3.56	1.28	3.82	1.32	4.47	0.80	3.62	1.17	3.87	1.15
Grandmean/standard deviation									3.90	1.18

Source own Survey 2022

With connection to entrepreneurship factors, Lack of motivation toward Entrepreneurship marks the highest mean 3.80, 3.68, 4.57 and 3.26 with standard deviation of 1.31, 1.19, 0.63 and 1.21 for operators engaged manufacturing, service, construction and trade respectively. It is also observed that absence of Lack of tolerance to take calculated risk is the main problem entrepreneurship determinants. Concerning Lack of entrepreneurship skill training have a mean score of 3.56, 3.82, 4.47 and 3.62 with standard deviations of 1.28, 1.16, 1.32, 0.80 and 1.17 enterprise of manufacturing, service, construction and trade respectively.

Table 4.3 Marketing Factors

Item	Manu		Serv		Cons		Trad		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Marketing skillsfactors										
Poor market availability forproduct/service	3.8 7	1.2 7	4.2 7	1.0 8	4.3 7	0.6 4	4.0 1	1.0 7	4.1 2	1.03
Difficulty of new potential Market	4.0 6	0.8 2	4.2 3	0.8 0	4.3 7	0.9 1	3.8 3	1.0 2	4.1 3	0.87
Lack of Business Promotion	3.7 1	1.0 6	3.8 6	1.0 7	4.2 7	0.7 8	3.6 5	1.1 6	3.8 7	1.02
Grandmean/standard deviation									3.9	1.07

Source own survey 2022

According to the above illustration the mean scores and standard deviations of investigation of the respondents indicate those Poor market availability for product/service are: 3.87, 4.27, 4.37 and 4.01 with standard deviations of 1.27, 1.08, 0.64 and 1.07 for MSEs engaged manufacturing, service, construction and trade respectively. On the other hand difficulty of the new potential Market identifies that manufacturing, service, construction and trade agree with a mean of 4.06, 4.23, 4.38 and 3.83 with standard deviation of 0.82, 0.80, 0.91 and 1.02 respectively.

Table 4.4 Financial factors related

Item	Manu		Serv		Cons		Trad		Total	
	M	SD	M	SD	M	SD	M	SD	M	SD
Inadequacy of micro finance institutions	3.91	1.13	4.38	1.36	4.68	0.67	4.26	1.03	4.30	1.06
Complicated Bureaucracy of Loan	3.51	1.22	3.64	1.23	4.26	1.00	3.46	1.21	3.73	1.16
Huge Collateral requirements	3.40	1.27	4.37	0.88	4.51	0.87	4.00	1.13	4.21	1.04
Grandmean/standard deviation									4.00	1.00

Source: own survey of 2022

The above table clearly indicated that the mean score of finance related factors of Inadequacy of micro finance institutions 3.91, 4.38, 4.68 and 4.26 with standard deviation of 1.13, 1.36, 0.67 and 1.03 for Manufacturing, Services, Constructions and Trade are respectively determined by the respective mean scores. Similarly, Complicated Bureaucracy of Loan also determines according to the values of respective values of 3.51, 3.64, 4.26 and 3.46 with standard deviation of 1.22, 1.23, 1.00 and 1.21 respectively. At last 3.40, 4.37, 4.51 and 4.00 mean score and standard deviation of 1.27, 0.88, 0.87 and 1.13 are determine financial performance of micro and small enterprises.

Ranking of the dominant factors that determine the financial performance of MSEs

No.	Factors	Grand Mean	Rank of Problems
1	Business Management skill	3.80	4 th
2	Entrepreneurship related skill factors	3.90	3 rd
3	Marketing management skills factors	3.92	2 nd
4	Finance related factors	4.00	1 st

Source: own Survey of 2022

From this it is concluded that on the financial performance of Micro and small enterprise in West Arsi zone KoreWoredahighly determined by financial related factors and Marketing management related factors are highly the most dominant factors by following Entrepreneurship skill related factors and Business Management related skills.

5. 1 Conclusions

According to this study even though micro and small enterprise financial performance are numerous, the most and influential determinants are Financial related factors which includes with sub influential factors are: Inadequacy of micro finance institutions, Complicated Bureaucracy of Loan and huge Collateral requirements. In addition to this Marketing related factors are also have high degree of determinants with having sub factors which are determine the profitability of MSEs ate Kore district. These are Poor market availability for product/service, Difficulty of new potential Market and Lack of Business Promotion. In other way Entrepreneurship related skillfactors are Lackofmotivation toward Entrepreneurship, Lack of toleranceto take calculated risk and Lack of entrepreneurship skill training . Lack of Communication with Customer skill, Lack of financial Problem Solving Skill and Lack of strategicbusinessplanning are sub factors related with Business management skills affecting MSEs financial performances. According to this findings it is last ranked factors by determining financial performance of enterprise at Kore district.

5.2 Recommendations

Since Micro and Small enterprise role in the economic development is high for Ethiopian country by creating job Opportunity for the youths and jobless Social communities, Government has to pay special attention for this sector by

- ✓ Facilitating adequate financial micro finance institutions with affordable loan capacity to the MSEs operators.
- ✓ The awareness toward Entrepreneurship skill training has to facilitate for new engagements of MSEs Operators.
- ✓ Micro and Small Enterprises operators are better to develop their marketing skills through proper training and experience sharing with other successful MSEs.

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