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Factors that Hinder Rural Youth Participation in Micro and Small Enterprises: A Case Study of Eastern Oromia National Regional State, Ethiopia

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Abstract:

It has been more than two decades that MSE gaining recognition for their contribution mainly in economic development and employment creation and has been occupied most of the discussions among government, policy makers, academicians, researchers, scholars etc worldwide. However, the sector's contribution was mainly studied and widely searched respect to urban economic development and employment creation. This research thus tried to indicate the contribution of the sector in some selected rural and semirural areas. Moreover, it tried to identify the factors affecting the rural youth participation at the main target for the sector. To meet these objectives, both secondary and primary data were collected. Primary data were the main sources for this study. To this end, a sample of 117 youth both from MSE and unemployed youth were addressed using well structured questionnaire, 4 different officials and 3 MSE extension workers interviewed and 5 people focus group discussions were contacted. To analyze the data, both quantitative and qualitative research methods as well as descriptive and inferential techniques were applied. SPSS 20.0 versions were used to analyze the data. The unemployed youth in rural village who tried to engage in MSE indicated that unfavorable conditions (treatment) from MSE facilitators and lack of money or material resources were found as the major factors contributed for their lack of participation. On the other hand, those who did not tried to engage in MSE indicated that lack of awareness when and where to start; and lack of experience to operate own business were the major reasons for which youth did not participate. On contrary, those unemployed youth from the semirural areas revealed that watching the failure of other MSEs and lack of confidence due to its risk thereby the attitude towards wage employment were the reasons for which they did not participate in MSEs. Furthermore, the study revealed that lack of access to feasible market, lack of access to credit and lack of support (training and motivation) were the major reasons for which some MSEs were shut down. The study also showed that majority of the youth participants were more engaged in an 'easy-to-entry' business such as trade or sales and service and less engaged to start businesses with higher entry barriers, such as manufacturing and professional services. Finally the study indicated that MSEs have contributed to employment creation, owned individually and cooperatively, though there is difference among sectors in terms of number of employees per MSE and types of employment. Moreover, those who have been engaged in MSE are able to earn income for which their livelihood depends, though there is variation among the types of MSEs. Based on the major findings, the study recommends that by improving educational system, broadening access to credit, provide work place, marketing assistance, capacity building for and continuous follow up and evaluation of MSE facilitators and improving the general business environment are vital for youth participants with entrepreneurial ability to respond to lucrative opportunities.

Keywords: MSE, MSE facilitators, Youth Participation, Employment, Income

1. Introduction

1.1. Background of the Study

Currently the role of Micro and Small Enterprises (MSEs) towards initiating and supporting economic development is well acknowledged across the globe. Most importantly developing countries has been widely accepted MSEs as the engine of economic growth and poverty eradication. Studies indicate that the dynamic role of micro and small-scale enterprises (MSEs) in developing countries as necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity is widely recognized (Boaten, 2012; Habtamu et al., 2013; Mekonnen, 2014). Therefore, in an attempt to accelerate growth rates in

low-income countries, particularly in Africa, many governments, development partners and donors have made the promotion and development of MSEs as a major concern.

Moreover, the other reason for MSEs to be widely accepted and more preferable sector by developing countries beyond the sector as a means of bringing economic growth and poverty reduction, it brings the stated goal by using the skill and the talent of people without requiring high-level training, large capital and sophisticated technology (Habtamu *et al.*, 2013). However the meaning of an SME has remained different across countries. This is mainly due to lack of common definition of the sector. In some countries, MSE are categorized based on the capital that is invested and in other based on the number of employees. In many countries, especially in developing countries micro and small enterprises are small informally organized commercial operations owned and operated mostly by the poor.

Recognizing the contribution of the sector, Ethiopian government has designed strategy for its operation called the National Micro and Small Enterprises Development and promotion Strategy in 1997. In the following year, the Federal Micro and Small Enterprise Development Agency were established by the Council of Ministers of Ethiopian Regulation No. 33/1998 on April 3, 1998. Moreover, the country's subsequent policies have given due attention to the MSEs sector. For instance, the industry policy in 2003 and the poverty reduction strategy in 2006 have MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among Rural and urban dwellers. Even the country's latest grand plan (the Growth and Transformation plan-GTP, 2011-2015) has stressed the need for providing support to MSEs.

Oromia Regional state has the largest region in Ethiopia with the largest population of the country, has Recognizing the significance of this sector, the Ethiopian Government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. The country's subsequent policies after this year is industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out The Micro and Small Enterprises Sectors contribute to the economy of nations" by creating employment opportunities, production of goods and services and other value added activities.

Recently the role of MSEs in economic development and employment creation has occupied most of the discussions among government, policy makers, academicians/ researchers/ scholars and economists in Kenya and other countries (Katua, 2014).

1.2. Statement of the Problem

Ethiopia is one of the least developed countries in the world and more than 80% of the population lives in the rural areas where their main stay is agriculture. Farming has been mainly performed by large number of small holder farmers. However, smallholder agriculture in Ethiopia lacks an adequate capacity to replace nutrients mined from agricultural lands through crop production, or fail to counterbalance the negative impact of high population growth despite the government effort in the sector for two decades (Samuel, 2006). Moreover, the supply of productive land and its efficient utilization has been increasingly constrained by increased population pressure, Evidence also shows that small plots of farmland are inadequate to support a family and has been one of the driver of migration (World Bank, 2010). In other word, the resulting competition between male siblings for land led to higher rates of migration in the villages that had taps than those that did not. Therefore, extreme poverty in the rural area is the main driver of migration, creating conditions where young people migrate into occupations and situations that offer them very low wages and extremely hard conditions of employment (Atnafuet *et al.*, 2014).

However, Poverty in Ethiopia is widespread and remains a major challenge of sustainable development and stability. Moreover, though poverty levels do not show the same extreme differences in rural and urban areas as they do in other African countries the majority of those living under the poverty line were in rural areas (De-Brauwet *et al.*, 2013b). According to MoFED (2012) the proportion of people below the poverty line in rural area stood at 30.4 %, in comparison to 25.7 % in urban areas.

Therefore, the importance of the micro and small enterprises sector in Ethiopia, particularly for the low-income, poor and women groups, is evident from their relatively large presence, share of employment and small capital requirement. These are sufficient reasons for governments and other stakeholders in development to be interested in micro and small enterprises (Gebrehiwot and Wolday, 2007 cited in Dereje *et al.*, 2013). It is also the experience in the country that the poor households are the main participants in some kind of informal sector ranging from small petty trading to medium scale enterprises (Jean-Luc, 2006). And due to the fact that this sector uses intensive labor force and as well since it is the livelihood of most of the poor. Developing this sector argued to be a weapon to resolve the problem of unemployment and poverty of a household (Lakew, 1998; Jean-Luc, 2006).

Though the burden is worse in rural Ethiopia where peasant women have no alternative to generate their own income and to be self-reliant (Haimanot, 2007), the Ethiopian government's efforts for creating opportunities that were mostly concentrated at the urban areas (MOFED 2012). Moreover, though plenty of studies has been conducted in the sector, the growth, development of the sector and the contribution made by the sector to the rural people and rural economy so far has not been in depth revealed, since majority of studies mainly focus on urban areas (Bereket, 2010; Miniliket *et al.*, 2012; Habtamu *et al.*, 2013; Mekonnen, 2014). Therefore, the aim of this study is to assess the status of rural MSE and its contribution to the rural youth more specifically in employment opportunity creation and the level of income generation so as to examine its role in poverty alleviation.

1.3. Objective of the Study

The general objective of the study is to determine the factors affecting youth participation in MSEs for Rural areas.

The specific objectives of the study are:

- i. To examine the contribution of rural MSEs towards income and employment generation
- ii. To identify factors that determine rural youth participation in rural MSEs

1.4. Research Questions

This study aim to answers he following basic research questions.

- i. What factors affect rural youth participation in MSEs in the study areas?
- ii. What is the level of employment contribution of rural MSEs in various farm and non-farm activates and the share of youth and women in particular?
- iii. To what level MSEs generate income to the members?

1.5. Scope of the Study

The SME is believed to be an engine of economic growth and due to the fact that this sector uses intensive labor force and as well since it is the livelihood of most of the poor. Therefore, Ethiopia Governments has pursued the strategy with a view to achieve the stated goal. However, this paper aim at looking the status of the sector in rural part of Ethiopia, mainly in selected rural Eastern Oromia Zones and Woredas. Since rural and urban setting and infrastructure is widely different particularly in developing countries, the paper interested to focus of rural MSEs. It was also discovered the factors that determine/hinder the youth participation in the sector in both group of youths – participated and non-participants. A total of 78MSE members and 39 non-participant unemployed rural youth were asked with questionnaires. The study was conducted from December, 2015 to May, 2016.

1.6. Significance of the Study

MSE which is recognized as a means of addressing the problem of unemployment and income generation, receives huge support and appreciated widely. However, the rural MSE has given very little attention by the government and researchers and scholars too. Thereby the status of the sector and its role has not been widely revealed and measured. Therefore, this study will provide answers as to why policy makers, government agencies and NGOs need to focus on rural MSE and devise policies and programmes that are required to transform rural MSEs into a legitimate and viable economic activity. Thus, it can effectively contribute to addressing the problems of unemployment and solve the ever increasing problem migration and poverty while ensuring sustainable environmental management.

Therefore, the findings of this study are expected to help policy makers in addressing the challenges of rural MSE through provision of the necessary support. In additions, the finding is also expected to raise the level of awareness of officials and planners, so that they will able to develop a mechanism or procedure for the smooth integration of MSE support and promotion with urban MSE activities of sectors, thereby capitalizing the contribution of the sector.

The finding are also expected to show; MSE office, women affairs, NGOs and other civil society institutions how the weaker section and the disadvantageous categories of the societies particularly women benefited from the sector and diverting their effort in helping this sector for betterment of the society. It is also expected to serve as a source of information for other researchers who are interested to pursue their study in this area.

2. Review Literatures

2.1. Definition of Micro and Small Enterprises

The definition and types of micro and small enterprises differ from country to country and there is no universally stated definition for micro and small enterprises (Lepi, 2005, Storey, 1995; cited in Demis and Mulugeta, 2011). This is so because the criteria and ways of categorizing enterprises as small, micro and medium varies from country to country and from organization to organization. The absence of such uniform definition of MSEs has created a difficulty. In line with this, for instance, Tegegne and Meheret (2010) argued that the absence of a single or globally applicable definition has made the task of counting the number of MSEs and assessing their impact extremely difficult across countries, though the rationale for most governments to make such definition and categorization is mainly for functional and promotional purposes to achieve the desired levels of development of the sector.

Different countries use different points of criteria to distinguish micro and small business enterprises from other economic entities within their national boundary. The major criteria use in the definitions according to Carpenter (2003) could include various combinations of the following: Number of employees, financial strength, sales value, relative size, initial capital outlay and types of industry. For instance, European Commission utilizes three criteria to determine whether an enterprise is a micro or small sized. These are staff headcount, annual turnover, and annual balance sheet. In European Commission Micro enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed 2 million euro. Small enterprises are defined as enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million euro (Kushnir et al, 2010).

In Ghana, there are a number of criteria which serve to define small scale enterprises. Among them, the number of employees employed in the sector is the major one and fixed asset is the other criteria. According to the survey conducted in Ghana, the number of employees in the small scale enterprises is less than 10 workers and in terms of fixed asset not more than 10 million cedis (Ghanaian currency) for plant and machinery (Helmsing and Kolstee, 1993). Micro enterprise is one with fewer than ten employees; and a small enterprise is one with 11-50 employees (Annette, 2005).

In the case of Kenya, by referring the 1999 MSE National Baseline Survey, Ronge et al (2002) defined MSEs as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employ 1-50 people. More specifically, according to them, micro-enterprises are those that employ 10 or fewer workers and small-scale enterprises are those that employ 11-50 workers. The above-indicated writers emphasized that the degree of informality and size of employment have perhaps been the two most readily accepted criteria on which classification of MSEs is based; and lastly they claimed that the term MSE incorporates firms in both the formal and informal sectors.

From Ethiopian context; two different definitions of MSE are used so far. These are: The 1997 definition of MSE development strategy/Ministry of Trade and Industry (MTI), and Definition given by CSA (FeMSEDA, 2011). The definition used by Ministry of Trade and Industry (MTI), which uses paid capital or capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in 1997 by considering other countries' experience, especially the South Africa experience. According to the MTI, Micro enterprises are those businesses enterprises, in the formal and informal sector, with a paid up capital not exceeding Birr 20,000(1200 USD) and excluding high tech consultancy firms and other high tech establishments. Small enterprises are those business enterprises with a paid up capital of above Birr 20,000(1200 USD) and not exceeding Birr 500,000(30000 USD) and excluding high tech consultancy firms and other high tech establishments.

On the other hand, CSA categorizes enterprises into different scales of operation on the size of employment and the nature of equipment. To CSA, establishments employing less than ten persons and using motor operated equipment are considered as small scale manufacturing enterprises. Enterprises in the micro enterprise category are subdivided into informal sector operations and cottage industries: Cottage and handicraft industries are those establishments performing their activities by hand and using non-power driven machines where as the informal sector is defined as household type establishments or activities, which are non registered companies and cooperatives operating with less than 10 persons. All enterprises employing ten or more workers are grossly considered as medium and large enterprises (CSA, 1999b and 2000; cited in Tegegne and Meheret, 2010; FMSEDS, 2011; MTI, 1997).

By identifying the gaps of the existing definition of MSE, ignoring the size of employee and by taking total asset as criteria and by dividing it in to industry and service sector ;and considering the inflation and fluctuation/irregularity of currency, the Federal Micro and Small Enterprise Development Strategy (2011) improved definition of MSEs and presented as follows. The improved definition of micro enterprises under industry sector (manufacturing, construction and mining) are an establishments operates with 5 people including the owner and/or their total asset is not exceeding Birr 100,000 (one hundred thousand). Under service sector (retailer, transport, hotel and Tourism, ICT and maintenance service), micro enterprises are the one that operates with 5 persons including the owner of the enterprise and/or the values of total asset is not exceeding Birr 50,000(fifty thousand). Furthermore, the small enterprises under industrial sectors (manufacturing, construction and mining) are those business enterprises operates with 6-30persons and/or with a paid up capital of total asset Birr 100,000(one hundred thousand) and not exceeding Birr 1.5 million. However, under Service sector (retailer, transport, hotel and Tourism, ICT and maintenance service).It operates with 6-30 persons or/and total asset, or a paid upcapital is with Birr 50,001 and not exceeding Birr 500,000 (FMSES, 2011).

2.2. Micro and Small Enterprises Contribution to Employment and Income Generation

2.2.1. International Experience

Government of less developed countries have been supporting for micro and small enterprises through various programs such as credit schemes, entrepreneurship training, technology support etc (Zaid and Torben, 2003). According to Todaro (2000) the informal sector is a major provider of urban jobs in many Asian countries. Among individual countries for which statistics available, the figure reaches 50 percent in India, 45 percent in Indonesia, 35 percent in Malaysia and 60 percent in Pakistan. In the case of Latin American countries 61 percent in Bolivia, 55 percent in Argentina, 56 percent in Brazil, and 69 percent in Paraguay. Besides, ILO (1998) survey report of 17 African countries found that the informal sector contributes on average 20 percent of GDP and 61percent of the sub-Saharan labour force employment. For instance, in the years between 1980 and 1985 the employment share of MSEs for Kenya and Ghana was around 40 percent and 80 percent respectively, out of the total urban employment.

According to Staley and Morse (1992), 81 percent of the manufacturing establishments in the United States in 1980 had small enterprises with less than 100 employees. These establishments employed 25 percent of all manufacturing employees and produce 23 percent of the total value added by manufacturers. The relative importance of small enterprises in West Germany and United Kingdom was also greater, 27 percent and 26 percent of all manufacturing employees respectively. The percentage of small enterprises employment are even higher like in New Zealand 62 percent, Argentina 52 percent and

Japan 56 percent (Staley and Morse, 1992) Hence, this shows that micro and small enterprises are contributing significantly even in developed countries.

In 2000 China had more than 20.85 million small-scale enterprises, with 128.2 million employees and generating 2,720 billion dollar in added value, and 9.14 percent increase every year of the small-scale enterprises (Daniels and Mead, 1998).

In Kenya, according to the National Baseline survey of 1999, there were about 1.3 million MSEs, employing 2-4 million Kenyans, equivalent to 15 percent of the total employment and contributing 18 percent of the GDP of the country. Moreover, the MSEs sector in Kenya is very dynamic with rapid investment rates and enterprise growth (Kimuye, 1999). According to UNCTAD (2005), the income contribution of the micro and small enterprises sector in Tanzania was about 20-30 percent of the GDP, and they consist of more than 1 million enterprises engaging three-four million persons, that are about 20-30 percent of the labour force of the country.

In Burkina Faso, based on the 1990 survey on MSEs, there were 90,000 established micro enterprises. Between 1985 and 1982, the sector is estimated to have contributed 30 percent of the GNP which exceeded agriculture (20-45 percent) and the modern secondary sector (23-86 percent) in the same period. Moreover, the MSEs sector employs 77 percent of the non-agricultural population and 8.6 percent of the total active population of Burkina Faso (UNCTAD, 2005).

According to Wick ware 1998; cited in Loop, 2000), MSEs have a significant contribution in creating employment opportunities for the poor in urban areas. Accordingly, he estimates the percentage of people engage in such sectors in some sub-Saharan cities during the 1900s as; Accra 70 percent; Addis Ababa 61 percent; Dare Salaam 56 percent; Kampala 46 percent; and Harare 17 percent. Hence, MSEs have important employment share in the economy of those cities.

2.2.2. Ethiopian experience

Micro and small enterprises (MSEs) are a special focus of the government, given that they comprise the largest share of total enterprises and employment in the non agricultural sectors. In recognition of the important role MSEs have to play in creating income and employment opportunities and reducing poverty, the government drafted its first micro and small enterprise development strategy in 1997. According to the Central Statistical Authority (CSA) survey, there are almost 570,000 MSEs in Ethiopia, 99.4 percent of which are micro-enterprises with fewer than ten employees, accounting for 88.2 percent of private sector employment. The microenterprises are very small. On average, they employ one and a half workers (this includes the owner and perhaps one occasional helper), and earn an annual operating surplus of 1,300 birr. Sole proprietors operated 82 percent of urban enterprises. Of the total employment in these urban micro-enterprises, family members accounted for 60 percent. Beyond family members, apprentices constituted a large proportion of the remaining MSE work force (CSA, 2003).

The average micro-enterprise has a capital of 3,528 birr, a yearly production value of 2,300 birr and an annual surplus of 1,300 birr. Although small enterprises significantly more productive and profitable than micro-enterprises, small-scale industries are also very small, with an average of slightly more than three employees, 18,934 birr in annual operating surplus, capital of 38,554 birr, and production value of 68,800 birr. A recent study on MSEs indicated that MSEs in Ethiopia are confronted by many problems. The constraints facing MSEs in most developing economies are similar: unfavorable legal and regulatory environment and, in some cases, discriminatory regulatory practices; lack of access to markets, finance, business information; lack of business premises at affordable rent; low ability to acquire skills and managerial expertise; low access to appropriate technology; and poor access to quality business infrastructure (CSA, 2003).

According to the CSA report, the major obstacles experienced by small-scale manufacturing industries were the irregular and erratic supply of raw materials and a shortage of suitable working premises. The lack of working premises was also found to present difficulties for the informal sector operators, who faced with insufficient capital, were often impeded from the start (Ibid, page 36).

The problem of raw material shortages, lack of working capital and effective marketing practices faced by micro and small manufacturing industries result in the failure of these businesses to expand (Ibid, page 35, 2003). The same problems, when experienced by informal sector operators, have the effect of preventing their expansion almost from the beginning of their operations Ibid, page 35. Results of the Ibid, page 43 survey showed that for about 50 percent of informal sector operators, the first major difficulty when starting their operation was the lack of sufficient initial capital and this problem becomes more critical when the informal sectors operators intended to expand their businesses.

3. Research Methodology

The study employed mixed research methods. Thus, the study has taken consideration of every aspect of the description of the topic. This part tries to describe the methods and material used to achieve the objectives of the study.

3.1. Description of the Study Area

The study was undertaken in Oromia regional state at Eastern Zones of Oromia regional state, in four selected woredas. The relevant population from which the sample was drawn includes both rural MSE and rural youth. All kinds and forms of MSE available in the selected zone were considered. Moreover, all rural youth whose age is between 15 to 29 years old were considered in the selected kebele.

3.2. Sampling Procedure and Sample size

Sampling procedure could not be conformed to strict requirements for probability sampling, since purposive selection and sampling were made necessary by various criteria. For the sample selection the researchers undertook various stages of sampling procedures. The first stage is selection of areas to be conducted. The study was undertaken in three selected zones of Eastern Oromia regional state using random cluster sampling. Then two woredas were selected randomly from the selected zones. Moreover, out of the selected woredas, two Kebeles were randomly selected.

Then out of these Kebeles samples of unemployed rural youth were randomly selected using simple random sampling. Moreover, sample MSE targeted youth group were selected from the selected Woreda from all types of MSEs activities. Out of these selected MSE, sample rural youth were selected proportionally.

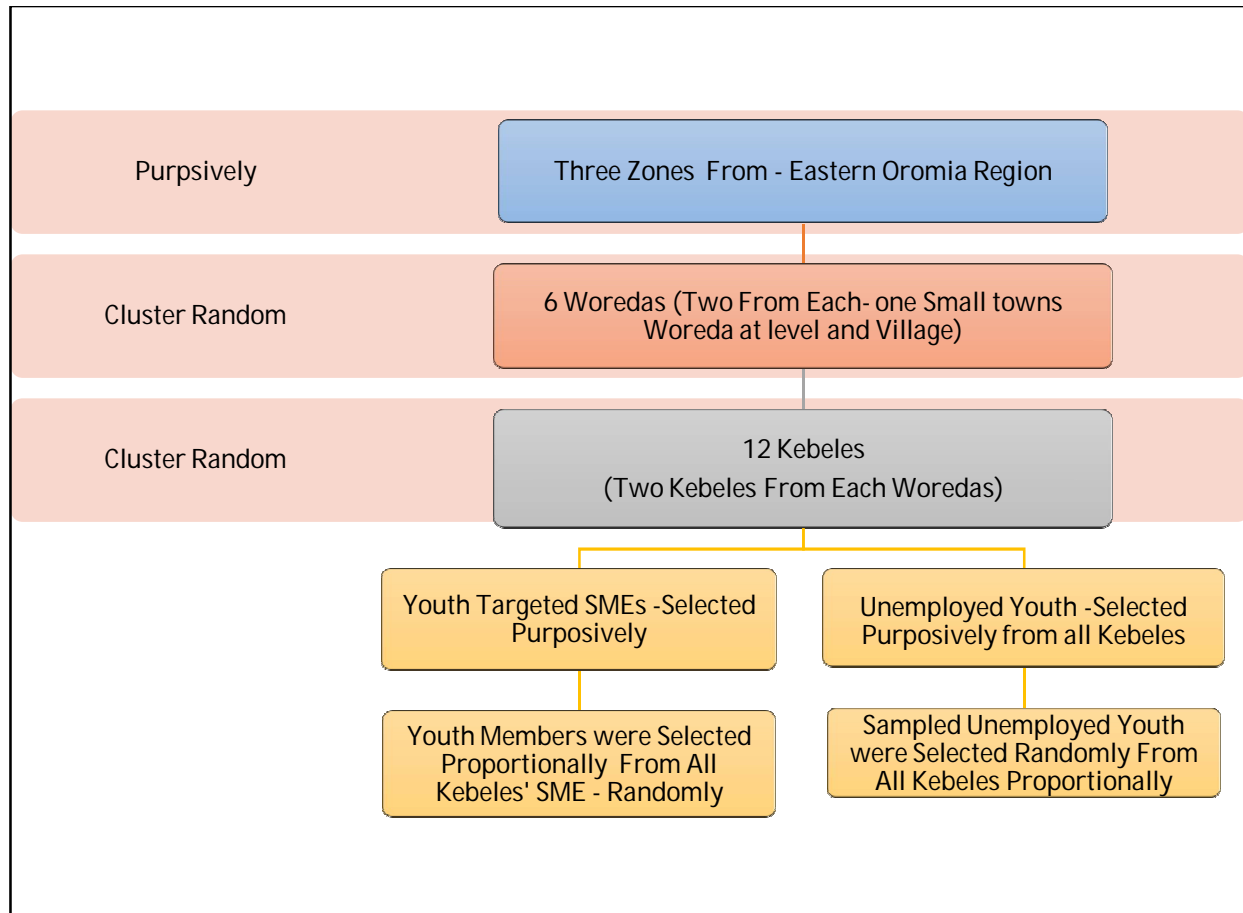


Figure 1: Sampling Procedure

The sample size for the sampling unit will be determined by using Cochran (1963) formula to yield a representative sample for proportions of large population.

$$n_0 = \frac{Z^2 pq}{e^2}$$

It was assumed that there is a large population but that we do not know the variability in the proportion that engage in MSE; therefore, assume $p = 0.5$ (maximum variability). Furthermore, suppose we desire a 95% confidence level (1.96 from normal distribution table) and $\pm 9\%$ precision due time constraints. The resulting sample size is demonstrated as:

$$n = \frac{Z^2 pq}{e^2} = \frac{(1.96)^2 (0.5)(0.5)}{(0.09)^2} = 117$$

3.3. Source and Data Collection Tools

Both primary and secondary data sources were used for this study. The primary data were collected from the sample of rural youth through pre-tested structured interview schedule or pre-tested questionnaire.

To generate qualitative data, informal interview with key informants and discussions with separate focus groups were conducted. The researcher undertake interviews with the following offices and key informants; small and microenterprise (SME) office, kebele leaders, trade and industry office, land administration, agriculture and rural development bureau.

Secondary data were also important for the study and were explored from Oromia Small and Micro Enterprise office at regional, zonal and woreda level, trade and industry office, Agriculture office and land office etc. which will be composed of reports and manuals and policies. Moreover, various journals, researches, books, reports, newsletters were investigated accordingly based on their relevance.

3.4. Methods of Data Analysis

Accordingly, the researcher had employed descriptive survey method to analyze the challenges of MSE's. This method was appropriate in describing the situation by using quantitative and qualitative data (Saunders et al, 2009).

Both qualitative and quantitative techniques were employed to analyze the data. In order to examine the status and contribution of MSE, descriptive statistics such as frequency distribution, mean, median and standard deviation, proportion, ratios and percentage were used. Attitudinal scale analysis and document analysis was also important analytical tools for this study. In addition, inferential statistics was used to test the significance of the research questions and the contribution of MSEs towards employment and income generation such as ANOVA, χ^2 and t-test were used to test the significance.

4. Data Presentation, Analysis and Interpretation

This chapter presents the empirical findings from the analysis of data that are collected from primary and secondary sources based on the stated research objectives. To this end, descriptive statistics was used to analyze the data to have a clear understanding of the socio-demographic characteristics, types and nature as well as status of micro and small enterprises (MSE). Moreover, inferential statistics was used to analyze the contribution of MSE towards the creation of employment and income. In addition, the empirical findings and interpretation of the problems challenging micro and small enterprises are presented below.

4.1. Demographic Characteristics of Respondents

Different studies show that the demographic characteristics of an individual have a significant role in his/her entrepreneurial behavior and performance of the business enterprise he/she runs. Taking this into consideration, therefore, level of education, age, gender, religion, marital status, living condition, and business experience of the respondents are shown to indicate the general demographic conditions of the respondents by level of urbanization and nature of MSEs.

4.1.1. Sex Distribution of Respondents

The researcher sought and obtained the gender details of all respondents who participated in the research.

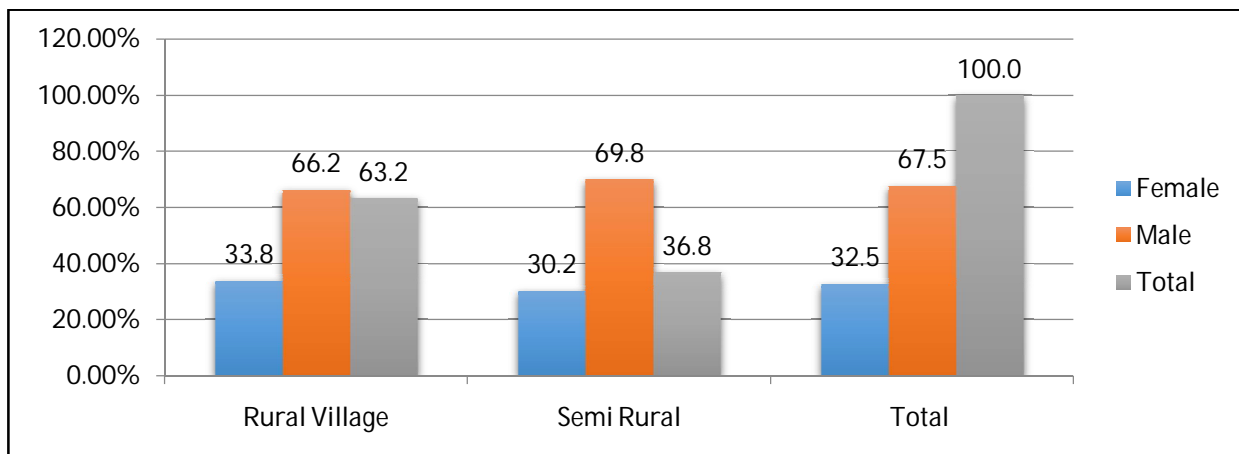


Figure 2: Sex Distribution of Respondents by Level of Urbanization

As indicated in Figure 2, majority (67.5%) of the respondents within level of urbanization were male while 32.5% were female. To this end, majority (63.2%) of the respondents within sex distribution live rural villages while 36.8% of them live in semi rural areas. This indicates that the researchers observed gender imbalance in the MSE industry.

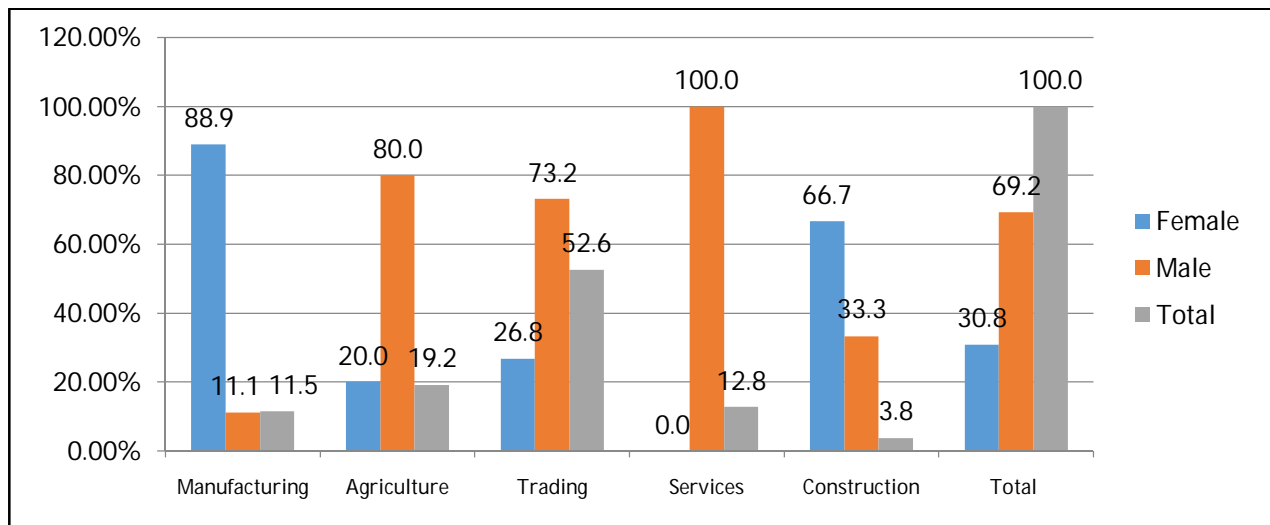


Figure 3: Sex Distribution of Respondents by Nature of MSE

The researcher further sought and obtained the gender details of respondents who are engaged in MSE. As indicated in Figure 3, majority (52.6%) of the total respondents within nature of MSE engaged in trading followed by agriculture (19.2%). To this end, major share of the trading (73.2%), agriculture (80.0%) and service (100.0%) sectors are controlled by male respondents. On the other hand, female respondents control the major share of manufacturing (88.9%) and construction (66.7%) sectors.

4.1.2. Age Distribution of Respondents

The total respondents were further requested to indicate their age distribution.

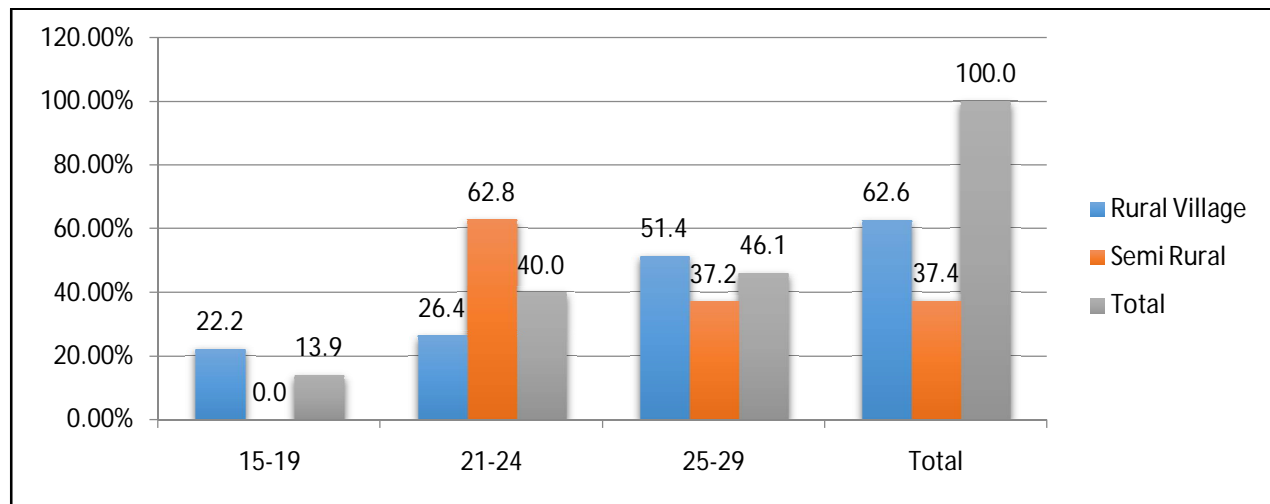


Figure 4: Age Distribution of Respondents by Level of Urbanization

The study, as shown in Figure 4, found out that 46.10% of the respondents age within age distribution were between 25 to 29 while 40% of were between 21 to 24 years old. To this effect, within level of urbanization, 51.4% of the rural villages are resident/home for respondents (25-29 years old) while 62.8% of semi rural areas are home for respondents (21-24 years old).

The respondents engaged in MSEs were also requested to indicate their age distribution. Furthermore, as shown in Figure 5, the study found out that 53.9% of the respondents within age distribution were between 25 to 29 years old while 40.8% of were between 21 to 24 years old. Within nature of MSE, major share of the agriculture (66.7%), manufacturing (77.8%) and construction (100.0%) sectors are controlled by respondents (25-29 years old). On the other hand, the respondents (21-24 years old) control the major share of trading (51.2%) and service (62.5%) sectors.

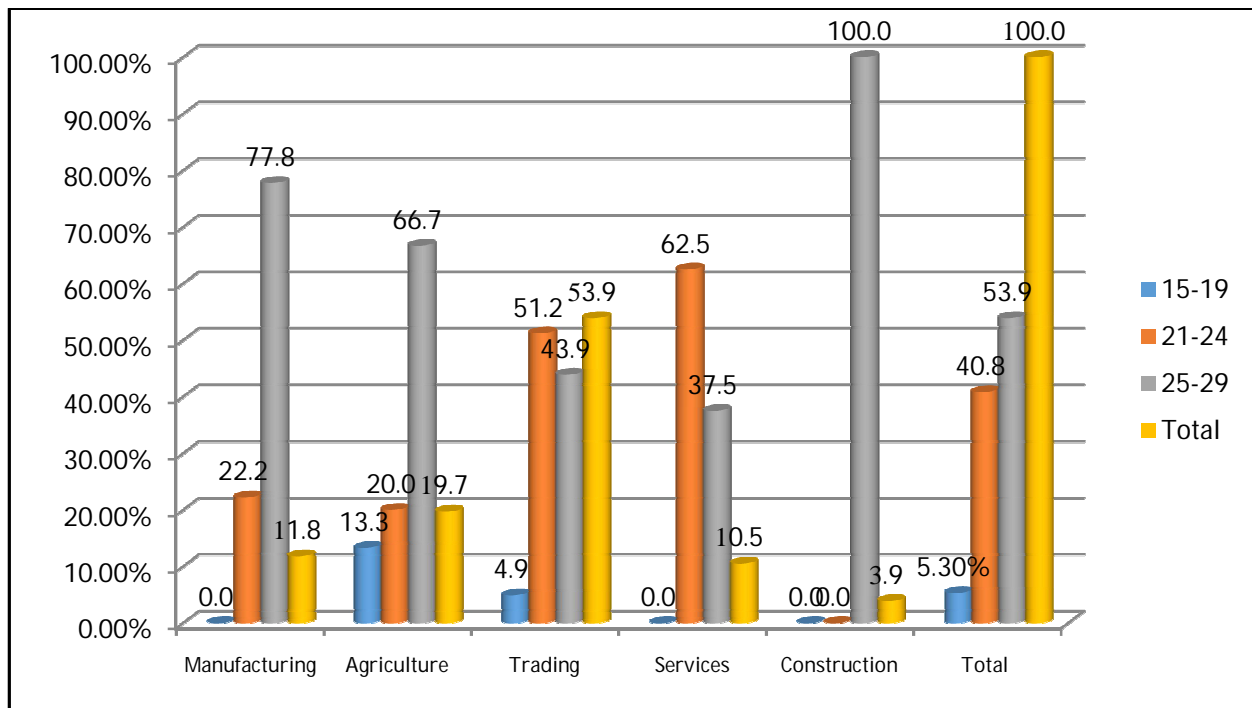


Figure 5: Age Distribution of Respondents by Nature of MSE

4.1.3. Education Level of Respondents

The respondents were also further requested to point out their highest level of education. It is important to consider the level of education of the respondents because it has an impact on the way the respondents interpret the questions.

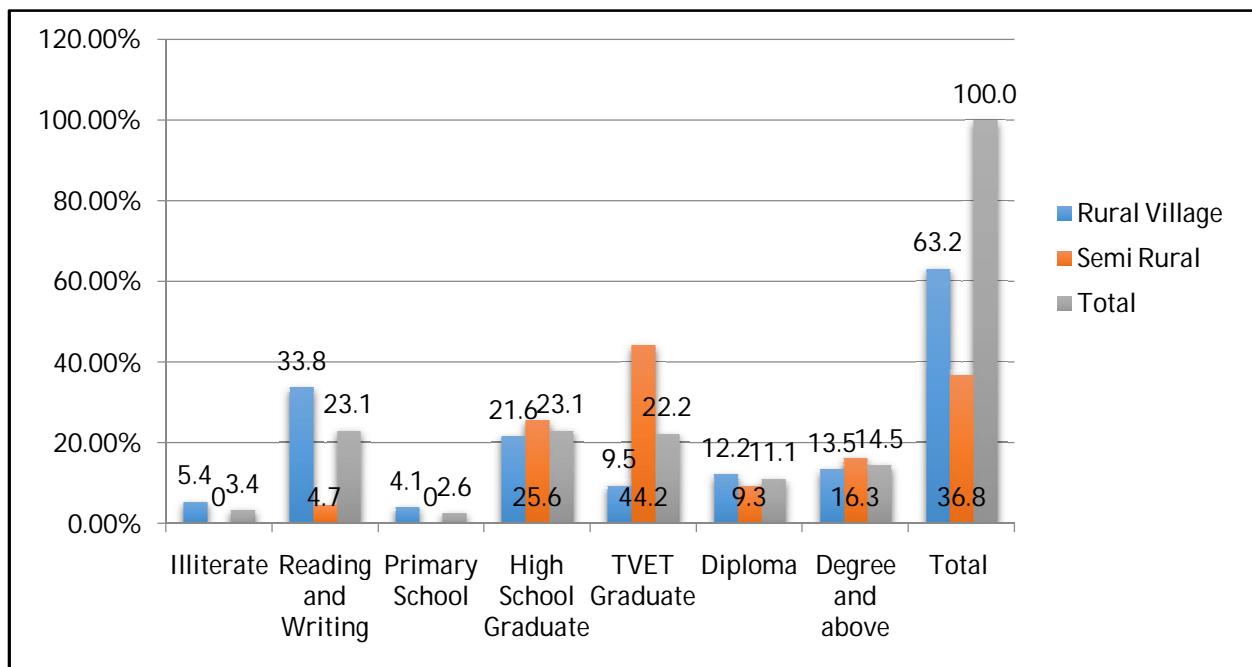


Figure 6: Educational Level of Respondents by Level of Urbanization

The study found out that 23.10% of the respondents within the level of education could properly read and write. Similarly, as presented in Figure 6, about 23.10% and 22.2% of the respondents were secondary school and TVET graduates, respectively. Those who had a college level of degree and above education were at 14.50%. Within the level of urbanization, 44.2%, 25.6% and 16.3% of the semi rural areas are dominated by TVET graduates, High school graduates and degree and above respondents, respectively. On the other hand, about 33.8%, 21.6% and 13.5% of the rural villages are residents for those respondents who read and write, high school graduates and college degree and above, respectively.

		Nature of MSE the Respondents Engaged in					Total	
		Manufacturing	Agriculture	Trading	Services	Construction		
Educational Level Respondents	Illiterate	Frequency	0	2	0	0	0	2
		% within Nature of MSE	0.0%	13.3%	0.0%	0.0%	0.0%	2.6%
	Reading and Writing	Frequency	3	6	6	0	0	15
		% within Nature of MSE	33.3%	40.0%	14.6%	0.0%	0.0%	19.2%
	Primary School	Frequency	0	1	0	0	0	1
		% within Nature of MSE	0.0%	6.7%	0.0%	0.0%	0.0%	1.3%
	High School Graduate	Frequency	4	1	7	0	2	14
		% within Nature of MSE	44.4%	6.7%	17.1%	0.0%	66.7%	17.9%
	TVET Graduate	Frequency	2	0	19	3	0	24
		% within Nature of MSE	22.2%	0.0%	46.3%	30.0%	0.0%	30.8%
	Diploma	Frequency	0	2	7	2	1	12
		% within Nature of MSE	0.0%	13.3%	17.1%	20.0%	33.3%	15.4%
	Degree and above	Frequency	0	3	2	5	0	10
		% within Nature of MSE	0.0%	20.0%	4.9%	50.0%	0.0%	12.8%
	Total	Frequency	9	15	41	10	3	78
		% within Educational Level	11.5%	19.2%	52.6%	12.8%	3.8%	100.0%

Table 1: Educational Level of Respondents by Nature of MSE
Source: Survey Data, 2016

Within the nature of micro and small enterprises (MSEs) the respondents engaged in, they are requested to forward their level of education. To this end, as indicated in Table 1, the study revealed that about 44.4%, 40.0%, 46.3% and 50.0% of the manufacturing, agricultural, trade and service sectors, respectively dominated by high school graduates, those who can read and write, TVET graduates and degree and above. on the other hand, about 66.7% and 33.3% of the construction sector is controlled by high school and college diploma graduates, respectively.

4.1.4. Respondents live with

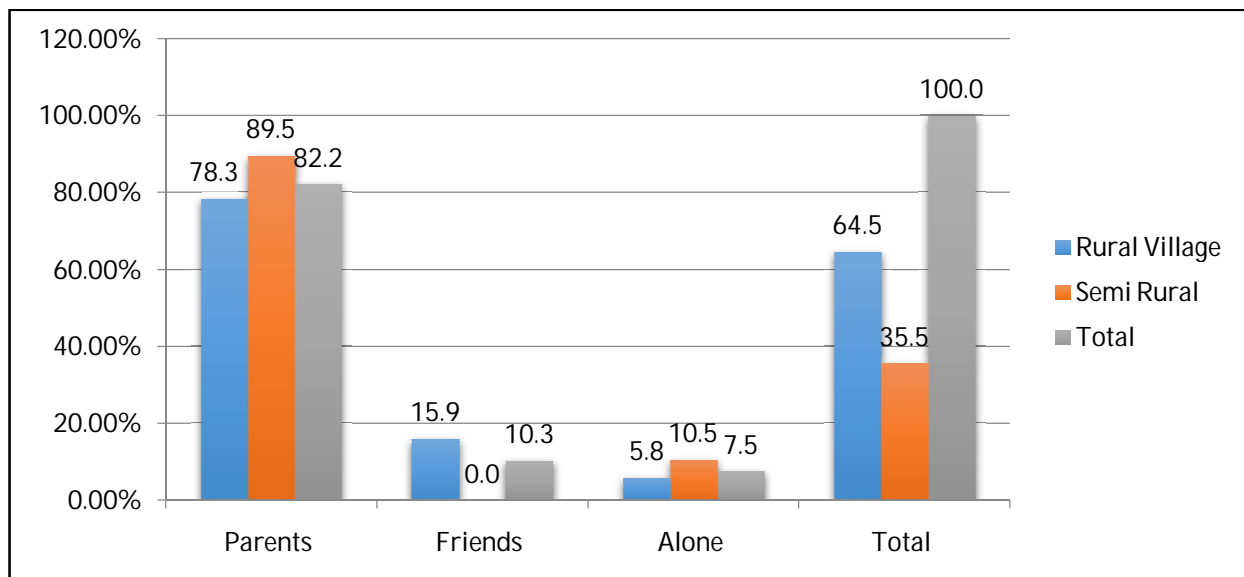


Figure 7: Sample Respondents Living by Level of Urbanization

The study, as shown in Figure 7, revealed that majority (82.2%) of the respondents live with their parents while only 7.5% of them live alone. To this end, about 89.5% and 78.3% of the semi rural and rural villages, respectively in the study area are home for those respondents who live with their parents.

			Nature of MSE the Respondents Engaged in					Total
			Manufacturing	Agriculture	Trading	Services	Construction	
Respondents live with	Parent	Frequency	7	14	35	7	1	64
		% within Nature of MSE	100.0%	93.3%	92.1%	77.8%	33.3%	88.9%
	Friends	Frequency	0	1	2	0	2	5
		% within Nature of MSE	0.0%	6.7%	5.3%	0.0%	66.7%	6.9%
	Alone	Frequency	0	0	1	2	0	3
		% within Nature of MSE	0.0%	0.0%	2.6%	22.2%	0.0%	4.2%
Total		Frequency	7	15	38	9	3	72
		% within living	9.7%	20.8%	52.8%	12.5%	4.2%	100.0%

Table 2: Respondents Living Condition by Nature of MSE
Source: Survey Data, 2016

As indicated in Table 2, within the nature of MSEs the respondents engaged in, about 100.0%, 93.3%, 92.1% and 77.8% of the manufacturing, agricultural, trading and service sectors, respectively are dominated by the respondents who live with their parents. On the other hand, about 66.7% of the construction sector is controlled by those respondents who live with friends.

4.1.5. Income Source of Respondents

The researchers further sought and obtained the income source of total respondents.

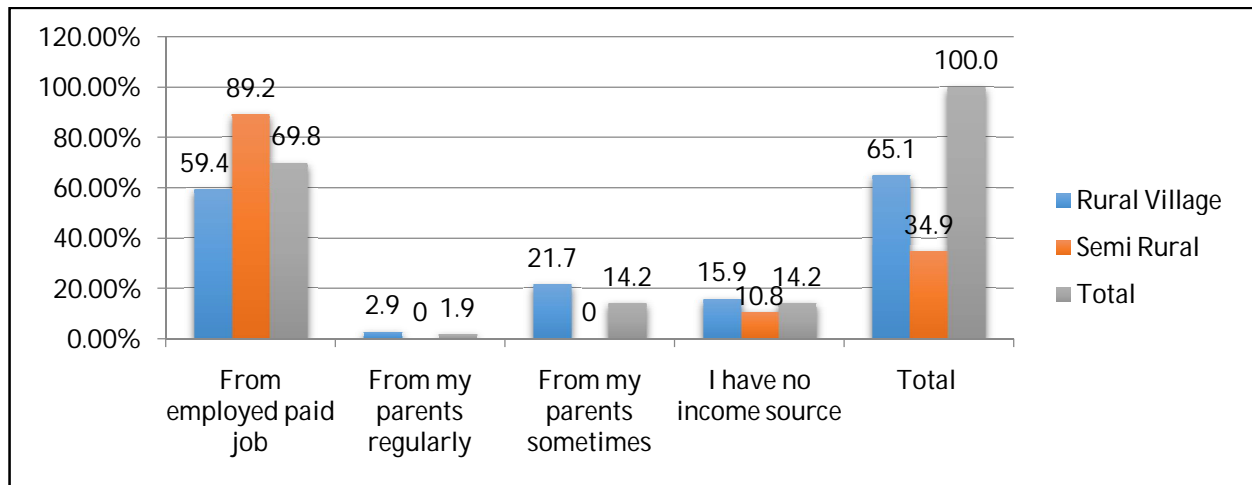


Figure 8: Income Source of Respondents by Level of Urbanization

As indicated in Figure 8, the study showed that about 69.8% of the respondents' income source is from employed paid job while 14.2% of them have no any income source. Within the level of urbanization, about 89.2% and 59.4% of the semi rural areas and rural villages, respectively are home for those whose source of income is from the job they are employed.

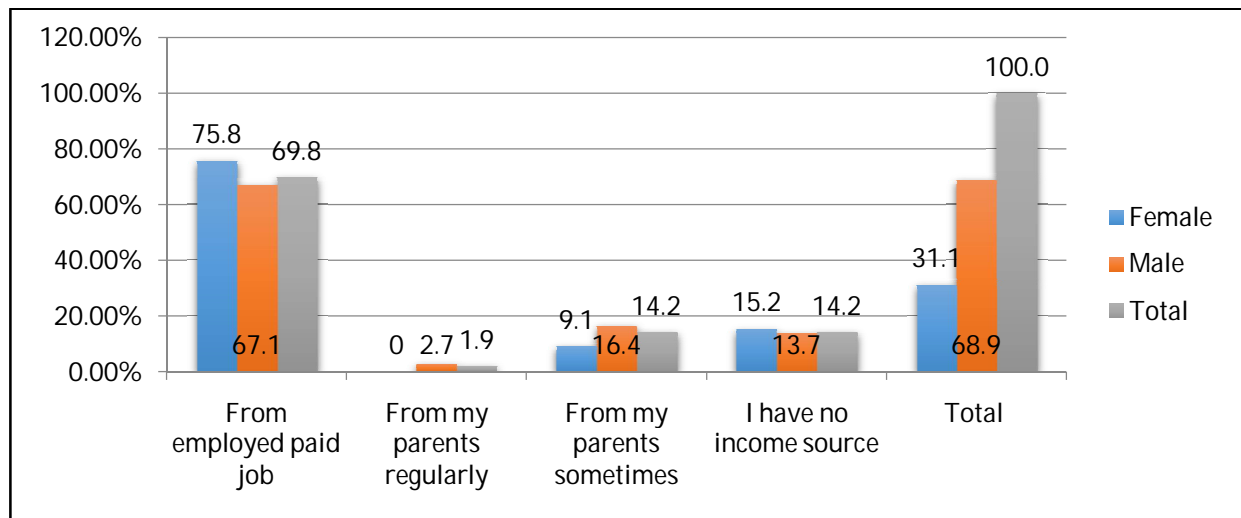


Figure 9: Income Source of Respondents by Sex Distribution

Furthermore, within sex distribution as presented in Figure 9, the study indicated that about 75.8% of female respondents and 67.1% of male respondents' source of income is from the employed paid job. This indicates that majority of the respondents formal source of income is employed paid job.

4.2. Contribution of Micro and Small Enterprises (MSEs)

4.2.1. Employment Contribution

Nature of MSEs	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Manufacturing	9	3.67	1.323	.441	2.65	4.68
Agriculture	15	7.07	3.262	.842	5.26	8.87
Trading	41	3.59	1.658	.259	3.06	4.11
Services	10	3.20	1.135	.359	2.39	4.01
Construction	2	8.00	7.071	5.000	3.00	13.00
Total	77	4.34	2.599	.296	3.75	4.93
ANOVA Table						
	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	178.736	4	44.684	9.619	.000	
Within Groups	334.485	72	4.646			
Total	513.221	76				

Table 3: Number of Permanent member (employment) of the MSEs at the start

Source: Survey Data, 2016

According to the survey result, as indicated in Table 3, at the start of the enterprise the average employment were 4.34 with the standard deviation of 2.599. Moreover, the employment creation among various types of MSEs were varied. The variation among the types of MSEs were significant at 1% Confidence level (CL).

Secondary source which is the report of Woreda level MSEs were indicated that an average of 4.42 employment per MSEs were created though variation exists and the variation also significant at 5% CL. This shows us that at the start of the operation, MSEs were organized in higher number of youth and created a significant number of employment opportunity.

Nature of MSEs	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Manufacturing	9	2.11	1.269	.423	1.14	3.09
Agriculture	15	3.33	3.395	.877	1.45	5.21
Trading	41	2.85	1.811	.283	2.28	3.43
Services	10	1.80	1.135	.359	.99	2.61
Construction	2	3.00	4.243	3.000	-35.12	41.12
Total	77	2.73	2.156	.246	2.24	3.22
ANOVA table						
	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	18.329	4	4.582	0.985	0.421	
Within Groups	334.944	72	4.652			
Total	353.273	76				

Table 4: Number of Permanent members (employment) of MSEs Currently
Source: Survey Data, 2016

However, currently (at time of operation) the member has been reduced and according to the table below the average employment created were found 2.73 with the standard deviation of 2.156. The variation among the types of the MSEs has found also insignificant (Table 4). This indicates that the number of MSEs member under operation were found reduced as compared to the number at the start.

Moreover, both the interview and FGD result indicated that though group formation of MSEs, the reality on the ground has not been as the expected and some of the MSEs has been even owned and operated by single individuals. The main reasons indicate during FGD were personal problems of member to walk away from the MSEs and there has been fake group formed by some individual to take the advantage on behalf of the eligible group of people. Generally, regardless of the number of youth engaged in MSEs, the sector has contributed to employment creation among the rural youth.

4.2.2. Income Generation

Different researches found out that micro and small enterprises contribute towards the creation of income.

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Rural Village	74	1148.6622	1585.18166	184.27362	781.4054	1515.9190
Semi Rural	43	752.4651	563.64153	85.95453	579.0019	925.9284
Total	117	1003.0513	1316.49556	121.71006	761.9892	1244.1134
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	4269104.441	1	4269104.441	2.495	0.117**	
Within Groups	196777519.252	115	1711108.863			
Total	201046623.692	116				

Table 5: Monthly Income of Respondents by Level of Urbanization
Source: Survey Data, 2016

To this end, as presented in Table 5, the average monthly income of respondents in the study area was about Birr 1003.05 with a standard deviation of Birr 1316.5. At 95% confidence interval for mean, the respondents earned an average monthly income between Birr 761.99 to Birr 1244.11 with a standard error of Birr 121.71. Within the level of urbanization, the respondents who live in rural areas have earned a monthly income of Birr 1148.66 on average with a standard deviation of Birr 1585.18. In other words, at 95% confidence interval for the mean, respondents who live in rural villages have earned a monthly income between Birr 781.41 to Birr 1515.92 on average with a standard error of Birr 184.27.

Furthermore, the study used the ANOVA Analysis to test whether there is statistical difference exist in the average monthly income among semi rural and rural villages of the study area. To this end, the study found that there is no statistical differences exist in the average monthly income among the two levels of urbanization.

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Manufacturing	9	1537.7778	1445.57686	481.85895	426.6090	2648.9465
Agriculture	15	1747.5333	1261.61636	325.74794	1048.8735	2446.1932
Trading	41	1261.3415	1250.40655	195.28069	866.6645	1656.0185
Services	10	1910.5000	2168.62687	685.78003	359.1578	3461.8422
Construction	3	866.6667	981.49546	566.66667	-1571.5032	3304.8365
Total	78	1454.7821	1404.03395	158.97554	1138.2213	1771.3428
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	5996161.620	4	1499040.405	0.751	0.561**	
Within Groups	145794811.675	73	1997189.201			
Total	151790973.295	77				

Table 6: Monthly Income of Respondents by Nature of MSEs

Source: Survey Data, 2016

Within the nature of MSEs the respondents engaged in, as presented in Table 6, the maximum average monthly income is earned by the respondents engaged in the service sector with Birr 1910.5 with a standard deviation of Birr 2168.63 followed by the respondents who engaged in the agricultural sector with the average monthly income of Birr 1747.53 with a standard deviation of Birr 1261.62. On the other hand, at 95% confidence interval for the mean, the respondents engaged in service sector have earned an average monthly income between Birr 359.16 to Birr 3461.84 with a standard error of Birr 685.78 while respondents engaged in the agricultural sector have earned a monthly income between Birr 1048.87 to 2446.19 with a standard error of Birr 325.75.

Moreover, the study used the ANOVA Analysis to test whether there is a statistical difference exists in the average monthly income among five sectors of MSE in the study area. To this end, the study found that there is no statistical differences exist in the average monthly income among five sectors of MSE.

4.3. Factors that Hinder Rural Youth Participation in MSE by those Unemployed who have tried ("Organized but unable to start" and "Not organized in MSEs")

4.3.1. Factors that Hinder Rural Youth Participation in MSE by those who tried by Area

Factors that Hinder rural youth Participation in MSEs		Level of urbanization/Area Type/		Total	
		Rural Village	Semi- Rural		
Unable to find someone to work with	Count	9	3	12	
	% within area type	42.9%	27.3%		
Lack of Money or Material	Count	15	8	23	
	% within area type	71.4%	72.7%		
Lack of Support	Count	11	7	18	
	% within area type	52.4%	63.6%		
Unfavorable Condition from MSE facilitators	Count	15	7	22	
	% within area type	71.4%	63.6%		
Total		Count	21	11	32

Table 7: Factors that hinder Rural Youth Participation in MSEs by those respondents who have tried

Source: Survey result, 2016

According to the survey among the unemployed youth respondents who had tried to engage/organized, 15 (71.4%) and 7 (63.6%) of them from Rural and Semi-Rural areas respectively, indicated that unfavorable conditions from MSEs Facilitators has been the factors that hinder participation in MSEs. Lack of money or material also indicated by 15 (71.4%) and 8(72.7%) of the group from Rural and Semi-Rural respectively. Moreover, lack of support from government and NGOs indicated by 11(52.4%) and 7(63.3%) of them from Rural and Semi-Rural areas respectively. Moreover, inability to find someone to work with also indicated by the youth 9 (42.9%) and 3 (27.3%) from Rural and Semi-Rural areas respectively. Other factors that hinder youth participations indicated in the survey includes the social factors like family problem (need the labour for family farming), the breakup of organized group before starting operation due to various reason, etc...

Therefore, those unemployed youth who have been tried to engaged/participated in MSEs indicated that unfavorable condition from MSE office facilitators (such as Rent seeking; Harassment; Network with administrative bodies; red tape;

political affiliation etc...) and Lack of Money or Material were the major factors for their inability to organize/engaged in MSEs. Moreover, lack of support both from government and NGO's, and inability to find someone to organize and work with also factors for some of the youth.

4.3.2. Factors that Hinder Rural youth participation in MSEs by area and two group of unemployed categories

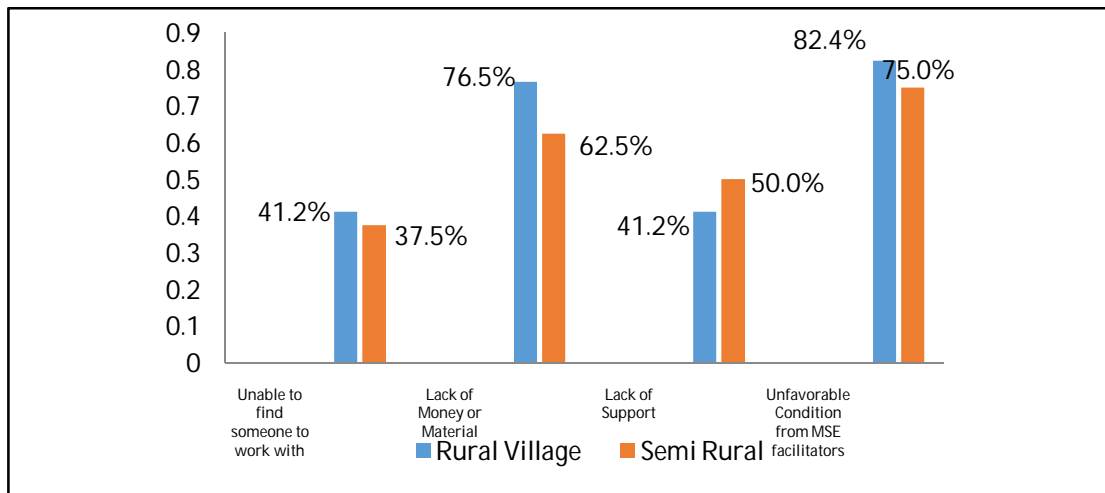


Figure 10: Factors that Hinder Rural Unemployed Youth Participation by those who has been Tried to Engaged
Source: Survey result: 2016

According to the survey, unemployed youth who have been tried to organized but did not able to have indicated in the table, In the Figure 10, 84.5 % and 75% from the Rural-Village and Semi-Rural respondents respectively indicated unfavorable condition from MSE office facilitators (such as Rent seeking behavior; Network with administrative bodies; Harassment; Red tape; Ethnocentrism; etc..) were the major impediment for youth participation and ranked 1st in both areas. Lack of Money or Material were indicated with 76.5% and 62.5% of by the rural village and Semi-Rural respondents' respectively and ranked 2nd in both areas. Moreover, lack of support from MSE and other governmental and non-government organizations (unable to find work place, lack of training and material support etc), ranked 3rd in both area by (41.2%) and 50% in Rural and Semi-Rural area respectively. Lastly, unable to find someone to work with also indicated by 41.2% and 37.5% of the respondents from Rural and Semi-Rural respondents as the factor that hinder participation. Other factors indicated includes family pressure (labor for other purpose) and personal factor (looking for other options).

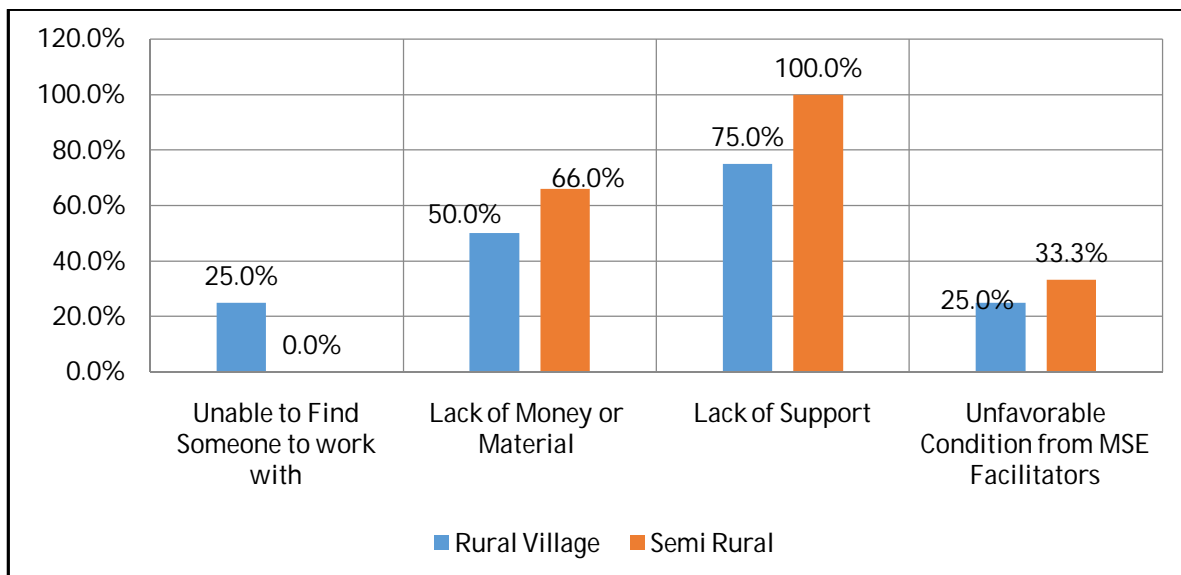


Figure 11: Those who have engaged but not started
Source: Survey result, 2016

However, as presented in Figure 11, those respondents who are organized but unable to start indicated that lack of support from MSE office or other governmental and non-governmental organizations (unable to find workplace, training, and

other material and money support) were the major factor that hinder them to start the operation with 75% and 100% of respondents from the Rural and Semi-Rural areas respectively. Moreover, lack of money has been the second major factor that hinders the youth from participating in both areas as 50% and 66% of the Rural and Semi-Rural respondents respectively. Unfavorable condition from the MSEs facilitators (rent seeking behavior, harassment, poor service deliver/communication) were also indicated in both area with 25% and 33.3% of the Rural and Semi-Rural respondents respectively. Furthermore, unable to find someone to work with was also indicated by rural respondents' with 25% of them selected it. Other factors indicated by the respondents in the survey are; early breaking up of the organized MSEs caused by members' by personal problems (various personal reasons such as looking for another option, migration etc); family pressure (labor required for peak harvesting season), and marriage after organization in MSEs, societal pressure (arising from lack of awareness).

Generally, for both group of unemployed youth; various institutional support (lack of money (credit); training and lack of working place) and the unfavorable MSEs institutional climate (bureaucracy, rent seeking behavior, networking problem, red tape and harassment during registration from the facilitators) were the major factors indicated.

Interview conducted with the MSEs officer and facilitators; also revealed that there has been shortage of workplace due budget constraints and conflict of interest among various stakeholders on resource (land) which has been created shortage of the workplace, thereby could not provide it as the MSEs expected.

The FGD of the survey also revealed that the MSEs facilitators and MSEs offices has been active at until organizing the youth and they don't give any assistance after once they got our name on their list (One man from the rural area said that, they take our name for the sake of report and for the purpose of fulfilling their fake data). Most of the time even there are people to be organized and started (MSEs provide the place or the land), they may be either the family member of the cabinets or others who could give them money to those MSE facilitators.

4.4. Factors that Hinder Rural Youth Participation in MSE by those who tried by Sex

4.4.1. Factors that Hinder Rural youth participation in MSEs by all those who tired by sex

		Sex of the Respondents		Total	
		Female	Male		
Unable to find someone to work with	Count	6	6	12	
	% within Sex	40.0%	35.3%		
Lack of Money or Material	Count	13	10	23	
	% within Sex	86.7%	58.8%		
Lack of Support	Count	8	10	18	
	% within Sex	53.3%	58.8%		
Unfavorable Condition from MSE facilitators	Count	13	9	22	
	% within Sex	86.7%	52.9%		
Total		Count	15	17	32

Table 8: Factors that hinder participation by those who have been tried by sex

Source: Survey result, 2016

The survey, as indicated in Table 8, also revealed that there are variations on the factors identified by different sex that hinder them in participating in MSEs. For female respondents, unfavorable condition from MSEs and Lack of money and material found the major factor and 86.7% of them indicated for both factors as shown in the figure below. Whereas for male respondents; lack of money or material and lack of support equally indicated by 58.8% and the unfavorable condition from MSEs facilitators indicated by 52.9%. This indicates that there is variation on the factors that hinder among different sex.

4.4.2. Factors that Hinder Rural youth participation in MSEs separated by sex and by the two categories of Unemployed youth (organized but unable to start and not completely organized)

The survey revealed that the variation on factors that hinder participation among different sex also been varied among the two group of Unemployed youth ("Not organized" and "Organized but not started").

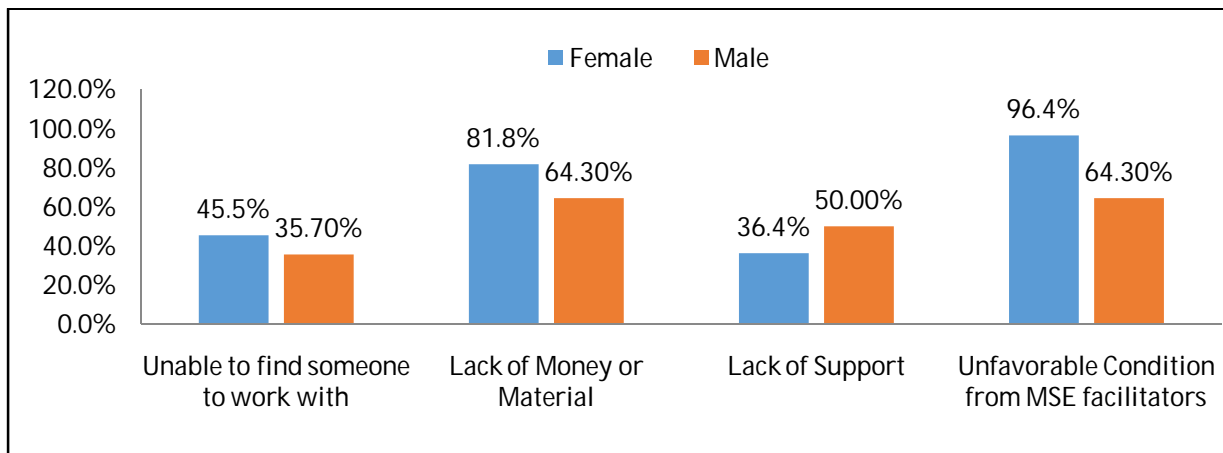


Figure 12: Factors Affecting Female respondents who are unable to Organized/Engaged in MSE but tried Survey result: 2016

According to the survey, indicated in Figure 12, the female respondents from the “not organized group of unemployed” 100% (11) of them indicated that “Unfavorable condition from MSEs facilitators” found the major factors and ranked 1st among the factors. “Lack of Money and Material” indicated by 81.8% (9) of the respondents and ranked the 2nd among the factors. “Inability to work with someone to work with” where also indicated with 45.5% among the respondents and ranked 3rd factor affecting women participation. Finally “Lack of support” also indicated with 36.4% as a factor that hinders women participation. Further, family and societal pressure were also indicated by female respondents’ as the factors that hinder from participating in MSEs.

In contrast, for male respondents the factors affecting participation revealed by the survey were Unfavorable conditions from MSEs facilitators and lack of money or material and indicated equally by 64.3% of the respondents. However, lack of support and unable to find someone to work with are the factors affecting male respondents with 50% and 35.7% respectively. In contrast to female respondents, the variations among the factors affecting the male respondents are not wide. This indicated that there is a difference among different sexes claiming the factors.

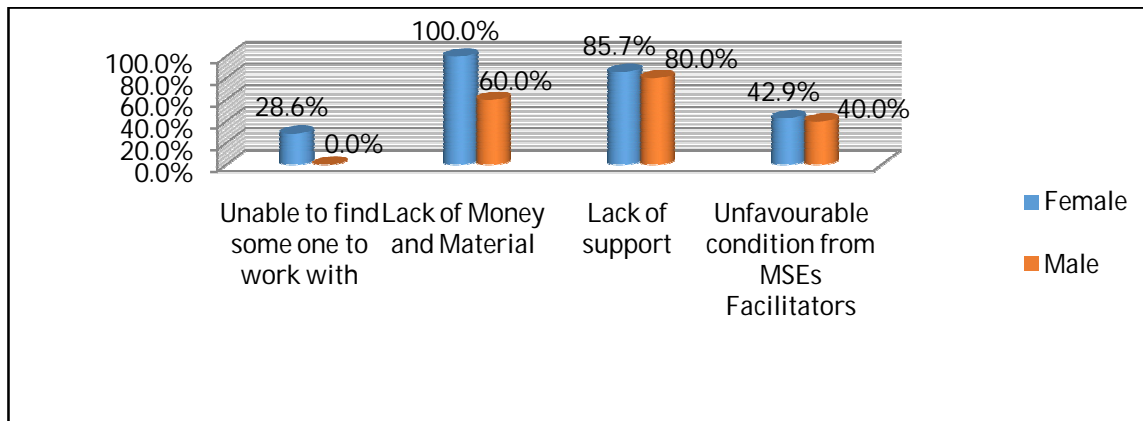


Figure 13: Factor affecting those Organized in MSEs but Unable to start Operation Survey result: 2016

However, as presented in Figure 13 the factors among the Respondents’ from the “organized but unable to start operation” indicated in the survey that lack of Money and material were indicated by all female respondents (100%) and ranked 1st; while lack of Lack of Support from MSE or other Government or NGOs (unable to find working place, training on business development) was also identified as the 2nd major factors for female respondents (85.7). Moreover, unfavorable conditions from MSEs facilitators and inability to find someone to work with also indicated as 42.9% and 28.6% respectively by female respondents. However, Male respondents’; Lack of support, lack of money and material, and unfavorable condition from MSEs facilitators were indicated by 80.0%, 60% and 40% respectively and ranked accordingly. These show as there is variation among the factors of different sexes.

Moreover, Lack of Money found the 2nd major factor for the entire Respondent. Lack of money or Material found the major reason for not started though Organized. Moreover, according to the survey result, other reasons were indicated by the Female respondents’ these include marriage after they organized in MSEs hinders from participating due as their husbands have

not allowed them to work outside and the increase in burden in household were the other factors for their failure to start operation.

The youth at FGD repeatedly Claimed that the MSEs facilitators and MSEs offices been active at organizing the youth and they don't give any assistance after once they got our name on their list (One man from the rural area said that, they take our name for the sake of report and for the purpose of fulfilling the data). They said that "they were active at the time of election or when report is needed" and "get in to false promises" and never get back. Therefore, they lost fate on the MSEs facilitators and MSEs office for their failure to fulfill/keep their promises many times (repeatedly).

4.5. Factors that Hinder Rural youth Participation in MSE by those who tried by area and Sex

According to the survey result, factors affecting female and male respondents in various areas are found slightly varied.

Level of urbanization/ Area type/			Sex of the Respondents		Total
			Female	Male	
Rural Village	Unable to find someone to work with	Count	6	3	9
		% within Sex	54.5%	30.0%	
	Lack of Money or Material	Count	11	4	15
		% within Sex	100.0%	40.0%	
	Lack of Support	Count	4	7	11
		% within Sex	36.4%	70.0%	
	Unfavorable Condition from MSE facilitators	Count	10	5	15
		% within Sex	90.9%	50.0%	
Total		Count	11	10	21
Semi- Rural	Unable to find someone to work with	Count	0	3	3
		% within Sex	0.0%	42.9%	
	Lack of Money or Material	Count	2	6	8
		% within Sex	50.0%	85.7%	
	Lack of Support	Count	4	3	7
		% within Sex	100.0%	42.9%	
	Unfavorable Condition from MSE facilitators	Count	3	4	7
		% within Sex	75.0%	57.1%	
Total		Count	4	7	11

Table 9: Factors that hinder rural youth from participation separated by area type and sex

Source: Survey result, 2016

As indicated in Table 9, for female respondents' from Rural area the major factor were lack of Money and material indicated by 100.0% as compared 50% indicated by those from Semi rural. Moreover, Lack of Support was found the major factors for those from Semi rural (100%) as compared to those from Rural area as indicated with 48.5%. However, unfavorable Conditions from the MSEs facilitators were the major problem for female in both areas as 90.9% and 75% of the respondent has indicated by Rural and Semi-Rural female respectively. This indicates that the problem related to the behavior of MSEs facilitators has been marked in both areas with a higher percentage, the issues of good governance.

However, other factors indicated such family (marriage and work burden) and social pressure were mentioned by the rural female respondents indicating the social pressure has been higher for female in rural than in Semi-rural areas. Furthermore, lack of support, unfavorable conditions from MSEs facilitator and lack of money were indicated by Male respondents as a major factor with 70%, 50% and 40% respectively from Rural area. In contrary, lack of money and unfavorable condition from MSEs facilitators were found the major factor with 85.7% and 57.1% of those male respondents' in Semi-Rural areas. While lack of support and unable to find someone to work with also been indicated with 43% equally by the male respondent in Semi-Rural areas. This indicates that there is variation among the factors affecting youth.

4.6. Factors that hinder youth from trying to participation in MSE by those who never tried to engaged

Factors that hinder participation by those who never tried	the Current Job status of the Respondents		Level of urbanization/ area type		Total
			Rural Village	Semi-Rural	
Attitude towards wage employment	Count	5	3	8	
	% within area type	100.0%	100.0%		
Lack of Experience to Operate own business	Count	5	1	5	
	% within area type	100.0%	33.3%		
Lack of confidence due to its risk	Count	2	2	5	
	% within area type	40.0%	66.6%		
Lack of Awareness	Count	4	0	4	
	% within area type	80.0%	0.0%		
I saw other MSE fail	Count	2	3	5	
	% within area type	40.0%	100.0%		
Total	Count	5	3	8	

Table 10. Factors that Hinder rural youth Participation by those who have never tried to engage

Source: Survey result, 2016

According to the survey result, as presented in Table 10, from those of the unemployed youth who never tried to organized or engaged in MSEs revealed that, the main reason inability to try to be involved has been the preference of wage employment (positive attitude towards wage employment) as taking the share of 33% as compared to other factors and ranked the 1st factor. The "lack of experience to operate own business" and "sawing other MSEs failure/ lack motivation" also an important factor for not trying to engage in MSEs by taking 18% and 19% share respectively comparative to other factors. Finally, "lack of confidence due to its risk" and "lack of awareness" were the other factors revealed in survey result and they were getting equal share of 15% equally.

The result of the survey revealed that the major reason for not trying indicated by the respondent in both areas were "attitude towards wage employment" with 100%. However, the result also revealed that the there were variation of other factors among the factors designated by different areas. Accordingly, Rural village's respondents "lack of experience operating own business" and "lack of awareness" were the major factor as 100% and 80% respectively indicated by them in the survey. However, other reasons such as "sawing other MSEs failure" and "lack of confidence due to its risk" also been indicated equally with 40% by the respondents. In contrast, respondents from Semi-Rural areas indicated that the major reasons for not trying were "sawing failure of other MSEs" and "lack of confidence due to its risk" with 100% and 66.6% respectively. Moreover, 33.3% of the respondents also indicated that "lack of experience of own business" as a factor that hinder them from trying to organized.

This indicates that in a remote rural setting, MSEs were rarely found that some people lack awareness and experience of MSEs. However, in Semi-rural setting MSEs were relatively exists extensively though the effectiveness and the viability of the enterprise were the problem which creates hopelessness among some unemployed youth to decide engagement in MSEs. Moreover,

Interview with extension workers also indicates that MSEs were found in a smaller number compared to the Semi-rural areas and the office are only found in a small semi-rural town. Due to shortage of budget and manpower, MSEs were rarely promoted to rural villager including unemployed youth. Moreover, supports given to the organized MSEs are not also as planned and enough. Therefore, the people have not been actively engaged in MSEs, as the MSEs officer claimed. This indicates that the MSE officer also believes that the effort for promoting and supporting MSEs are still behind the demand of the society.

4.7. Factors/Reasons for Shutdown of the MSEs by the Respondents

As the claim indicated above as a result of interview conducted with the officer of MSEs of the Woreda, there has been a shortage of support given to the MSEs.

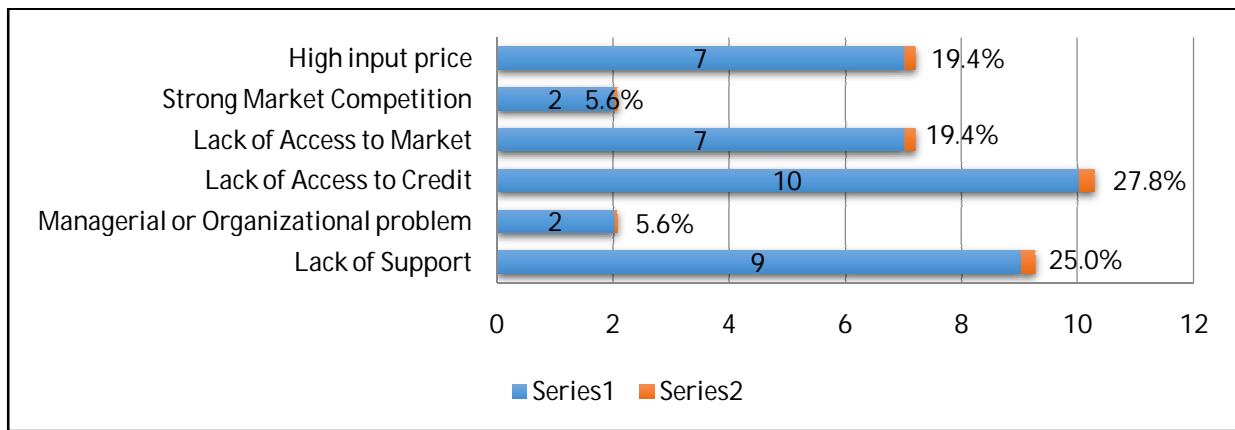


Figure 14: Factors Affecting SMEs for Shut Down
Source: Survey Result, 2016

The survey result in Figure 14 also showed as the factors that forced them to shut down the MSEs after starting operation. Accordingly, lack of access to Credit, Lack of access to support, lack of access to market and high input price has been the major factors that forced the MSEs to shut down the operation in the figure comparatively indicated with 27.8%, 25.0%, 19.4% and 19.4% respectively. However, strong market competition and organizational issues (management problem caused by bankruptcy) also been indicated as the factors that forced them to shut down in the MSEs.

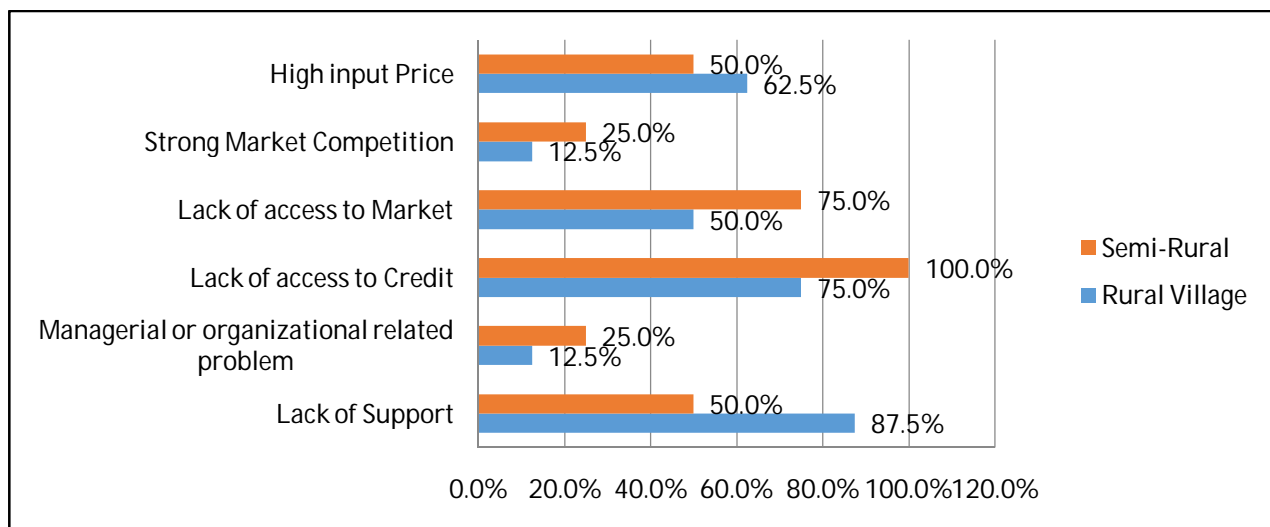


Figure 15: Reason for shutdown of the MSEs by the type of areas
Source: Survey result, 2016

However, according to Figure 15, the reasons/factors that forced the MSEs for shutdown among different areas have been different. For instance, those respondents from the Rural village indicated that the lack of Support, lack of access to credit and high input price were the major factors ranked 1st (87.5%), 2nd (75.0%) and 3rd (62.5 %) respectively. However, lack of access to market also found a significant factor indicated by the respondents from rural areas (50%). In contrast with the respondents from Semi-Rural areas, the major factors identified by the survey result were “lack of access to credit” and “lack of access to market” with 100% and 75% of the respondents respectively. However, “lack of support” and “High input price” also an important problem indicated by 50% of the respondents in each factors.

Moreover, result of interview conducted among the MSEs facilitators indicates that majority of the MSEs shutdown mainly related to marketing problem and managing business, access to credit. Moreover, high input cost also made the business unprofitable.

4.8. Motivational Factors for Engagement in MSEs by all the Youth Respondents except by those who never tried

Finally the survey conducted revealed the factors that motivates youth whether they are engaged or tried to engage.

Reason for engagement in MSEs	Responses	
	N	Percent
Looking for employment and creation of wealth	105	40.5%
MSE office Influence	38	14.7%
NGO Influence	19	7.3%
Inspiration by Other Successful MSEs	63	24.3%
Availability of Market	34	13.1%
Total	259	100.0%

Table 11: Reasons for engagement in MSEs by those who are engaged and currently shutdown
 Source: Survey result, 2016

As presented in Table 11, accordingly, looking for employment and creation of wealth is the most motivating factors as compared to other factors by taking (40.5% share). The 2nd motivating factor identified was “inspired by successful MSEs” which takes 24.5 % share comparatively. The “MSEs office influence” and “availability of market” were the factors motivating youth to pursue MSE by taking 3rd and 4th share respectively. Finally, NGOs influence also was the factor that motivates some youth to be involved in MSEs.

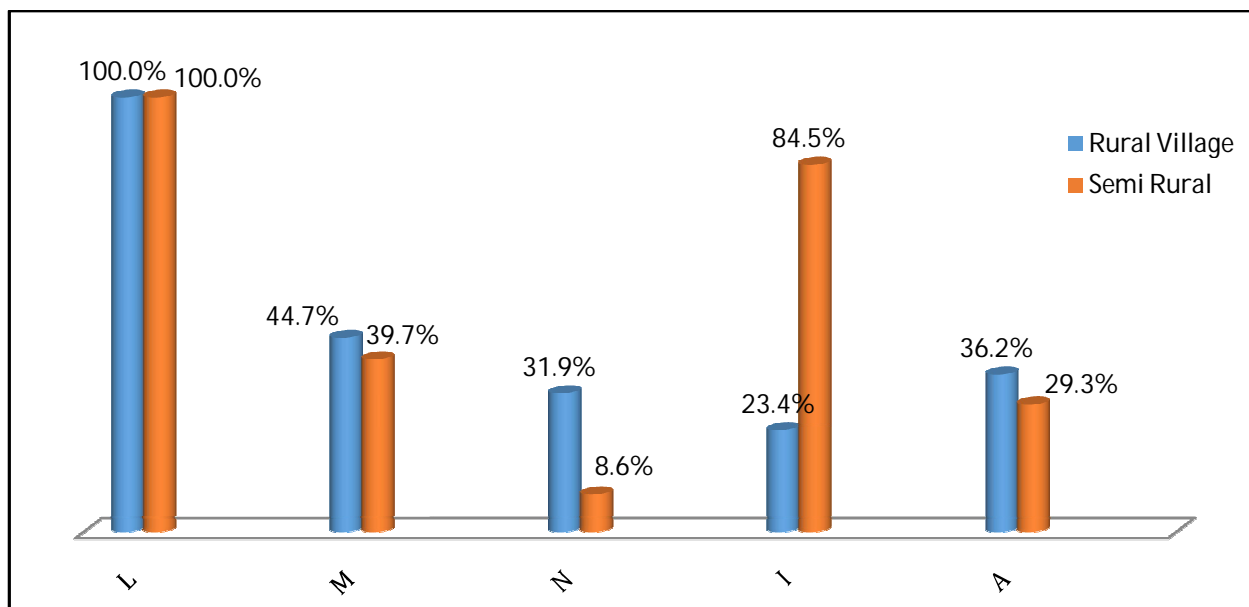


Figure 16: Reasons for Engagement in MSEs by all the Respondents' except those who never tried to engaged
 Source: Survey result, 2016

However, as presented in Figure 16, the result also indicates that motivational factor varied among different areas though “looking for employment” has been the prime motivational factors. For instance, 44.7% the respondents in Rural village indicated that “MSEs office influence” is the 2nd rank major motivational factor. Whereas “availability of market” and “NGO influence” found the other major motivational factor with 36.2% and 31.9% indicated by the respondents respectively. The “influence from other successful MSEs” also been the motivational factors for few respondents with 23.4%. In contrary to the Semi-Rural respondents, the “influence from other successful MSEs” were the 2nd major motivational factor to engage in MSEs as 84.5% of them indicated it. The “MSEs office influence” also been ranked 3rd, while “availability of market” ranked 4th motivational factors with 39.7% and 29.3% of the respondents respectively indicated. Moreover, NGOs influence also been motivational factor for few (8.6%) respondents.

The variation that comes from influence from other successful MSEs has come from the relative large number and opportunistic of MSEs found in the Semi-Rural areas. This Result concedes with the interview result mentioned above that relatively many SMEs found in Semi-Rural areas which have given the opportunity for the people around the areas and been the motivational factor.

Other motivational factors, according to survey result includes – Friends and Family influence, Media influence has been indicated.

5. Policy Recommendation

Based on the findings of this study, the following points need to be considered as possible policy implications in order to further improve the effectiveness and efficiency of Micro and Small Enterprises (MSEs) towards the creation of employment and income.

5.1. TO MSE Agency and the MSE Offices (Woreda Level)

- Should create a liaison structure with Microfinance Institutions and women affairs, to ensure access to credit and gender equity in service delivery
- Continuously implement reform tools (Perform continuous recalibration of Business Process Re-engineering by taking feedback on stakeholders and MSEs to ensure- fast and transparent service delivery
- Continuously train the MSEs office facilitators in Record keeping, Customer service delivery and good governance
- Allocate More resource to Rural MSEs offices and follow up and evaluate the implementation separately from Urban Setting MSE
- Work closely with NGOs (such as UNDP) to get support in provision of training and material and collaborate follow up and evaluate the type and nature of training
- Awareness creation should go down to high Schools and should focus on procedures how, when and where to establishing MSEs
- Curriculums on business, entrepreneurship and related disciplines should integrate the procedures and principles of MSEs office

5.2. To Microfinance Institutions (MFIs)

- Should design Depth awareness creation program to be implemented in institution areas " high schools, TVET schools and Universities and colleges" with the collaboration of the Governments and NGOs
- Further widen the branches in various semi-rural and rural areas to improve access to credit to rural youth
- Work closely with MSEs offices at woreda level and assign fixed liaison person to follow up and evaluate the needs and interest of the MSE office and MSEs

5.3. Woreda Women and Youth Offices

- Closely work with MSEs and helping in creating awareness on how, where and when to establish MSEs
- Assign women representative in the registration office and closely work in provision of work place
- Follow up women entrepreneur and facilitate support by communicating other stakeholders

5.4. To Other Researchers

- Depth analysis of the performance of the sector in rural setting and what factors affect their performance should be further studied
- Depth survey should be conducted with same objective in various areas so that clear indication should be generated and contextual solution could be provided

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