Determinants of Micro and Small Enterprises Transformation in to Medium Level Industry in Addis Ababa, Ethiopia

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ABSTRACT

Micro and small enterprises are means for most countries economy by creating employment opportunity and supporting large manufacturing companies in the economy. The results of most research studies revealed that most micro and small enterprises in developing countries especially in Ethiopia have several problems for transformation and growth due to diverse factors. Thus, this research assesses determinants of micro and small enterprises transformation in to medium level industry in Addis Ababa. 74 transformed micro and small enterprises in 10 sub cities were taken as sample size. The objective of this study was to identify causes of micro and small enterprises transformation in to medium level industry in Addis Ababa, Ethiopia.

The study employed explanatory research design more of quantitative in nature and Data were collected pre designed person assisted questionnaire. The study was used micro and small enterprises transformation measured by the enterprises employment growth and capital growth as dependent variables. independent variables are Finance access, Management know-how, Market access for their product, Poor infrastructure, Technology, Support micro and small enterprises get, Adequate accounting and record keeping and government rules and regulations.

The results provided evidence with correlation coefficients of finance (37.7%), management know-how (27.6%), market access (32.9%), infrastructure (15.2%), technology (40.3%) and accounting and recordkeeping (28.1%) in respect to average capital growth. This indicated that relatively there were strong association of finance access, market access and technology with average capital growth in contrast with management know-how, infrastructure, and accounting and record keeping.

Key words: MSE; Transformation; Determinant factor; Addis Ababa; Medium level industry; Enterprise

1. INTRODUCTION

According to the central statistical authority survey, there are almost 570,000 Micro and Small Enterprises (MSEs) in Ethiopia, 99.4 percent of which are micro-enterprises with less than ten employees, accounting for 88.2 percent of private sector employment. The micro enterprises 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. Although small-scale industries are more significantly productive and profitable than micro-enterprises, they are very small,

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with an average of slightly more than three employees, 18,934 birr in annual operating surplus, capital of 38,554 birr with production value of 68,800 birr [1].

In Ethiopia, MSEs sector are the second largest in employment generation next to agriculture which involves more than 1.3 million people [2]. But large numbers of MSEs are not able to transform and they remain to be continued existence which cannot provide employment. Also, from 1000 MSEs around 69% of them are survival types [3] and mainly in capital city Addis Ababa majority (75.6%) of MSEs are not transformed since start up and only 21.9% of the MSEs were other workers [4]. MSEs that add workers or seeking to add labor force make great contribution to the economic growth and helping more of these enterprises to transform can contribute to unemployment reduction and income generation than equal efforts made for the promotion of new MSEs. Besides, MSEs that add workers can help people to move up and out of poverty since increase in size is often associated with an increase in economic productivity. But MSEs are in question to dissimilar set of vibrant forces which can interrupt their transformation and reduce their possible role to the economic growth. Hence, most MSEs are remaining alike in magnitude of employment since start up compared to medium enterprises. However, they face challenges to transform onto medium level industry because of lack of finance access, work premises, lack of managerial skills and expertise, lack of market access, poor infrastructure, inadequate information and technology [5]. Salie [6] also identified problems that face the development of MSEs as shortage of finance, raw materials supply, and skilled manpower, lack of working place, marketing, credit access, business advisory and counseling services, and information and technology, poor networking, continuous and sustainable training and counseling services, access to infrastructural services and Problems of awareness, incentives, taxation and licensing.

In turn, the main contribution here was to identify determinants of MSEs transformation in to medium level. Because most enterprises can successfully transform while others are fail to transform, identifying the problems facing MSEs management in Ethiopian context may be importance to provide assistances like finance, training, management, and technology. Second, scholars and practitioners in Ethiopia should understand the level of MSEs transformation, which plays a significant role in providing ancillary services to large corporations. Third, the study draws management and professional's attention to the urgent need for specific management practices to enhance transformation, growth and expansion and sustainability of MSEs in Ethiopia. Fourth, identifying the factors that help micro and small businesses to transform in to medium industry may use other micro and small enterprises to transform, expand and grow. Finally, from an academic perspective this study's insights should contribute to future development of other researchers, particularly in a developing country like Ethiopia.

1.1. Objectives

- ✓ To describe entrepreneurial and enterprise characteristics that determines MSEs transformation to medium level industry.
- ✓ To identify possible determinants of MSEs transformation to medium level industry.
- ✓ To analyze the way in which dependent variables are related with independent variables.
- ✓ To identify lessons learnt from the transformed MSE's and to give recommendations for the successful implementation and transformation of MSEs.

1.2. Characteristics of MSE in Ethiopia

Like other developing countries, informal sectors in Ethiopia are the main source of employment as well as income for vast number of people [7]. Many authors argued that the largest private sector constitutes MSEs and the medium industries and created the largest number of employment in the country. The government of Ethiopia also gives greater emphasis for the startup and expansion of MSEs along with its strategy and policy formulation [8].

According to the CSA [9] small scale manufacturing survey, over 89% of the informal sector operators are concentrated in manufacturing, trade, hotel and restaurant activities. Of the small scale manufacturing industries 85% are engaged in the manufacture of food, fabricated metal furniture and old traditional cloths. The survey also revealed that the number of people earning their livelihood from the informal sector activities and small scale manufacturing industries is eight times larger than those

engaged in medium plus large scale industrial establishments. According to the FMSEDA [10], the MSEs sector are characterized by highly diversified activities which can create job opportunities for a substantial segment of the population. This indicates that the sector is a quick remedy for unemployment problem. To curb unemployment and facilitate the environment for new job seekers and self-employment a direct intervention and support of the government is crucial.

MSEs Sectors in Ethiopia appears to be fraught with a number of constraints that suppress its fast growth and development as a means of overcoming poverty and unemployment. The main constraints that face MSEs include inadequate empirical research on MSEs, limited responses by financial institutions to MSEs, lack of appropriate technology and related facilities, lack of strong organizations for entrepreneurs, lack of co-ordination among Business Development Service (BDS) providers, lack of access to land and premises, and lack of market access and market information[11]. The Ethiopian government also identified major limiting factors of these sectors as insufficient marketing and production space, lack of innovation, market linkage problems, lack of information asymmetry, poor input quality, and difficulty of creating intra and inter enterprises networks and lack of financial capital. Similarly Solomon identified the major constraints faced by small enterprises includes demand problems, paucity of capital, equipment and technology, human and material inputs, rules and regulations and institutional bottle necks.

2. MATERIALS AND METHODS

2.1. Description of the study area

The scope was geographically limited to the city of Addis Ababa, Ethiopia as a case study. The location was selected because it is a heart of agglomeration of business actions as a primate city due to small number of other competitive growth centers in the country. Hence, many people from different parts of the nation migrate in search of employment opportunities or to start a business [12]. And it is the most populated urban city in the country due to population growth and high rural-urban migration makes MSEs more significant. The 2007 Census result has revealed that 2,738,248 people were living in the city, of which 52.3% were women that account 23% of all urban dwellers of the country.

The study mainly focused on assessing the major determinants of transformation of micro and small business enterprises in to medium in Addis Ababa, Ethiopia. It was based on the newly update micro and small business enterprises definition of FEMSEDA that includes:

•Micro Enterprises in the formal and informal sector, with a paid up capital not more than birr 100,000 and employed up to 5 employees for manufacturing sector and a capital of birr 50,000 and employed 5 employees for service sector.

•Small Enterprises are those business enterprises with a paid up capital of above birr 100,001 and not exceeding birr 1,500,000 and employing 6-30 for manufacturing sector and capital of birr 50,001-500,000 and employing 6-30 employees for service sector.

Currently, the government of Ethiopia recognizes the transformation of some of the MSEs in to medium level industry. Based on the criteria's of the government of Ethiopia MSEs that are a capital of over birr 1.5 million for manufacturing and over birr 500,000 for service sectors are transformed in to medium level industry, were the scope of this study. Therefore, this study includes MSEs that fulfilled the above criteria.

2.2. Data Collection Methods

Data were collected by employing two instruments: Demographic Questionnaire (DQ) that measures the owner manager characteristics, MSEs characteristics and enterprise characteristics, and MSEs Questionnaire (MSEQ). The DQ were developed to gather information about respondents' sex, age, educational level, gender, and experience, owner's motivation to start business, establishment year of business, ownership status of business, number of employees in the business, source and amount of initial capital and amount of current capital. MSEQ were comprises of 48 items, six questions for each

independent variables associated to common operations that determines MSEs to transform to medium level industry, based on the questionnaire prepared by Indarti and Landenberg [13] adapted to situations of MSEs in Ethiopia. The statements were phrased with a possible response continuum based on a Likert-style five-point scale. Respondents were selected randomly from each of the strata's and questionnaire is a person-assisted questionnaire. The researchers distributed 10 sampled MSEs as pilot survey for accuracy and validity of the questionnaire.

2.3. Sampling Design

The population was obtained from Addis Ababa City administration MSEs Development agency. There were 241 transformed MSEs in to medium industry in different sectors in May, 2011. These enterprises have over Birr 1,500,000 working capital for manufacturing sector and Birr 500,000 working capital for service sectors. Samples of 74 transformed MSEs were selected using survey technique. Stratified sampling techniques were used to select the enterprises. Enterprises covered by the survey were classified into 5 strata's that includes construction, metal and wood works, food preparation, textile and garment and others in 10 sub cities. The numbers of transformed MSEs in each of the above sectors and in the ten sub cities were as follows.

Table 2: Transformed MSEs to medium level industry in 10 sub city in Addis Ababa

S. N	Sub city	Construction	Metal and wood works	Food preparation	Textile and Garment	Others	Total
1	Yeka	5	12	1	1	-	19
2	Bole	11	14	-	-	1	26
3	Gulelie	17	-	-	1	-	18
4	Arada	13	7	-	-	1	21
5	Nifas Silk	11	36	-	1	1	49
6	Kirkos	9	5	3	2	4	23
7	Kolfie	1	19	-	-	1	21
8	Lideta	2	13	-	-	-	15
9	Addis Ketema	4	3	4	2	7	20
10	Akaki	6	16	1	2	3	28
	Total	**79**	**125**	**9**	**10**	**18**	**241**
	Percent	**33**	**52**	**4**	**4**	**7**	**100%**

Source: AAMSEDB, 2011

Sampling Techniques:

Numbers of enterprises questioned (sample size) were obtained, by determining from a total population of 241. Using Yamane's formula[14], there was a sample selection of 74 SMEs, comprising 24 constructions , 38 metals and wood and 3 food preparation , 4 textile and garment and 5 others. The formula states:

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

$n = \frac{241}{1+241(e)^2}$= 71

Where n-Sample size, N-population and e-Margin of error (0.1)

Table 3: Sample size determination

Strata	Number	Proportion	Sample	Frequency
Construction	79	33	24	

Metal and wood works	125	52	38	
Food preparation	9	4	3	
Textile and Garment	10	4	4	
Others	18	7	5	
Total	241	100	74	

2.4. Method of data analysis

Descriptive statistics were used as the first stage of data analysis to describe owner- manager characteristics, MSEs characteristics and MSEs business practices and to provide detail information about each relevant variables used (age, gender, number of employees, year of business, source of capital, amount of capital the business currently have and types of activity the business engage). The study used Pearson Product Moment Correlation method to indicate the relationship of independent variables and dependent variable. The Pearson product moment correlation were used to measure the degree to which two variables are correlated or associated with each other when both of those variables are metric(i.e., either interval or ratio-scaled data)[15].

According to FeMSEDA [16] MSEs that transform in to medium level industry should be measured based on employment opportunity and capital of the enterprise. Therefore, transformation was measured by the dependent variables of growth in capital of the enterprise and growth in the number of job opportunity created by the enterprise. It also used a multiple regression analysis to indicate the simultaneous effect of the independent variables on the dependent variable. According to Getie [17], multiple regression analysis were done to examine simultaneous effects of numerous independent variables on dependent variable that is interval scaled, in other word, multiple regression analysis aids in understanding how much of the variance in response variable is explained by sets of predictors. Before applying multiple regression analysis, validity and reliability of research instruments were examined using the values of Cronbach's alpha. Correlation of random split-halves for internal consistency for MSEQ ranged from 0.82 to 0.861 and Cronbach alpha was 0.89.

Multivariate normality is the assumption that each variable and all linear combinations of the variables are normally distributed. It is critically an important assumption when conducting structural Equation modeling in general and using SPSS software for data analysis in particular is that data are multivariate normal. Thus normality analysis was conducted, as shown below.

		Average capital growth				Average employment growth			
	N	Skewness		Kurtosis		Skewness		Kurtosis	
	Statistics	Statistics	Std. Error	Statistics	Std. Error	Statistics	Std. Error	Statistics	Std. Error
Finance access	74	0.207	0.177	2. 015	1.234	0.215	0.185	2.284	0.964
Management knowhow	74	0.276	0.177	2.650	1.234	0.124	0.185	1.234	0.964
Market access	74	0.329	0.177	2.621	1.234	0.325	0.185	2.231	0.964
Poor Infrastructure	74	-0.152	0.177	-3.051	1.234	-0.166	0.185	-1.564	0.964
Support from government	74	0.025	0.177	1.854	1.234	0.065	0.185	2.154	0.964
Accounting and record keeping	74	0.281	0.177	2.745	1.234	0.187	0.185	2.142	0.964
Technology	74	0.103	0.177	1.985	1.234	0.124	0.185	1.968	0.964

An absolute value greater than 1.96 is significant at p < .05, above 2.58 is significant at p < .01 and absolute values above about 3.29 are significant at p < .001. Large samples will give rise to small standard errors and so when sample sizes are big, significant values arise from even minor deviations from normality and in small samples it's OK to look for values above 1.96 (within +2 to -2 range); however, in large samples this criterion should be increased to the 2.58 one and in very large samples, because of the problem of small standard errors, no criterion should be applied! It is more important to look at the shape of the distribution visually and to look at the value of the skewness and kurtosis statistics rather than calculate their significance. However, because of the large sample (74) in our case, the value of 2.06 isn't surprising and in fact that all values of kurtosis are below upper threshold of 3.29.

The statistical analysis was incorporated checks for multi-co linearity. The issue of multi-co linearity arises if explanatory variables are very much correlated and rule of thumb for multi-co linearity problem is that, if the pair wise or zero order correlation coefficient between two independent variables is high, greater than 0.8, then multi-co linearity is serious [18]. Hence, in our case the maximum value is 0.473. Statistical Package for Social Sciences (SPSS) was used in analysis and the results were presented in the form of tables.

2.4.1. Description of Variables and Research Hypotheses

The researchers used growth in capital and growth in number of employees as a dependent variable to measure transformation.

1. ***Growth in capital:*** It is determined as the average of current and initial capital. When expressed in annual terms, average return can be referred to as "average annual growth rate (AAGR)

$$\frac{\boldsymbol{current\ capital - initial\ capital}}{\boldsymbol{initial\ capital}}$$

2. ***Employment growth:*** refers to employees employed both permanently and temporarily and it also includes the family members and the owner working in the enterprise. The use of compound annual growth rates permits a much more precise assessment of the timing of employment growth effects [19]. Average Employment growth Rate (AEGR) were used in the study. The average annual growth in jobs since startup which is measured in number of jobs created by firm is calculated as:

$$\frac{\boldsymbol{current\ employment - initial\ employment}}{\boldsymbol{initial\ employment}}$$

The following independent variables and hypotheses were proposed to increase our understanding of determinants for the transformation of MSEs owners in Addis Ababa city administration. These factors were determined by detailed reviewing literatures and adjusting for problems faced by MSEs in Ethiopia.

1. Finance Access

In Ethiopia, lack of finance is among the problems for starting, expanding, and transforming MSEs. The government of Ethiopia gives different financing services for MSEs even though there are constraints on these services. These includes saving services, loan services, equipment leasing, micro insurance services, Hawala services, managing third party money and others. Empirical evidence suggests that retained earnings are the predominant source of financing among growing SMEs (GSMEs). However, more successful GSMEs use more external sources of financing, such as financial institutions, venture capitalists and individual investors, than do less successful MSE. Debt is by far the predominant source of external financing among small firms, even though there are barriers associated with debt financing for MSE.

Hypothesis 1: *There is significant relationship between finance accesses and MSEs transformation*

2. Management Know-how:

Management know-how embodied in the entrepreneur may be an important factor in the transformation of MSEs. Management know-how may be acquired from family or having previous business experiences. It

includes skill of managing people, resources and finance Management know-how is the ability of planning, staffing, organizing, directing and controlling for the achievement of MSEs objective. Furthermore, management know-how may be acquired through education offered by different universities, colleges or institutions. In Ethiopian context there are different institutions, universities that offered management trainings for investors and owner's .According to the FeMSEDA, the acquisition of relevant vocational, technical and business skills is generally important factors for achievement in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important requirements to enable people to advance lower level activities into larger and better earning enterprises.

Hypothesis 2: *There is significant relationship between management know-how and MSEs transformation.*

3. Market Access:

Dynamic economic theories suggest that growth requires strategic flexibility and the ability to change market focus, which may require introducing new products or entering new markets [20]. Small enterprises usually regard market constraints and inability to sell their products and services as one of the most serious obstacles to the starting of businesses and growth beyond mere subsistence level. This assertion also holds true in case of Ethiopian MSEs, as revealed from various studies undertaken concerning the MSEs sector. Marketing is one of the supports given by the government of Ethiopia to MSEs to search market opportunities.

Hypothesis 3**:** *There is significant relationship between market access for their product and MSEs transformation.*

4. Infrastructure:

Infrastructure is one of the basic factors required to enhance the pace of industrialization in any country. The development of business and industrial premises (shops, offices, factories, market stands, etc.) and infrastructure facilities, including supply of electricity, water, telecommunication connections, sewage systems, etc. are crucial infrastructural facilities and utilities which warrant the growth and expansion of business enterprises. Pamella [21] also find that poor infrastructure, services such as electricity, telecommunications, transportation, and water and sanitation play a critical role in a country's development and are related to small business success and economic growth and these infrastructure elements are not sufficiently developed and expanded to meet the increasing demand of business activities.

Hypothesis 4**:** *There is significant relationship between poor infrastructure and MSEs transformation.*

5. Technology

According to Indarti and Langenberg, technology is among the determinant factors. It plays significant role in this respect and has a close relationship with improvement of production processes. Lack of equipment and old-fashioned technology are amongst limitations of SMEs development and the study of okima et.al [22] disclosed that technological change innovations had significant relationship with market growth. A study in Ireland also discovered that technological posture, automation, and process innovation were considerably related to satisfaction with return on investment [23].

Hypothesis 5**:** *There is significant relationship between technology and MSEs transformation.*

6. Support MSEs get

Small businesses are to be designated a priority sectors for the government, in terms of policy formulation, direct support from its own resources and in the mobilization of external resources. The government helps ranges from self-help activities of groups of small enterprises and the abolishing of regulatory obstacles to the better cooperation between small and bigger enterprises with respect to sub-contracting and other forms of interlink ages and the granting of tax concessions by federal or regional

government. It also includes support services in management and technical training, consulting, and technology support. Responsibility for education, training and experience transfer rests on different organizations, including the federal and regional governments, NGOs and private sectors. This also applies to the sphere of entrepreneurship sensitizing, training in skills relevant to micro and small enterprises in different sectors and industries, and the acquisition of management experience by small-business owners and staffs.

Hypothesis 6*: there is significant relationship between support MSEs get and MSEs transformation.*

7. Accounting and Record keeping:

Keeping track of information through rudimentary accounting practices (i.e. basic records of costs and revenues) is crucial for business success. Successful SMEs were much more likely to have regular accounting records than the unsuccessful SMEs. Most business owners end up losing track of their daily transactions and cannot account for their expenses and profits at the end of the month. Good recordkeeping provides MSEs with accurate information on which to base decisions, such as projecting sales and purchases, determining break-even points, and making other financial analyses. The prevalent lack of proper records has led to the closure of some businesses, thereby making it a significant issue for business success.

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Hypothesis 7**:** *There is significant relationship between adequate accounting and record keeping and MSEs transformation.*

8. Government rules and regulations about MSE

Government is responsible for the formulation of rules and regulations that govern MSES. Governments should develop laws and commercial codes that define property rights and judicial institutions and processes that make them credible. Markets need a clear definition of property rights that can be enjoyed and transferred to other parties. Clear collateral laws and their implementation enable asset-based lending, another transactions-based lending technology whereby loans are based primarily on the value of specific borrower assets. The Ethiopian government, in this regard shall also establish a user-friendly environment for simplification and standardization of documents.

Hypothesis 8**:** *There is significant relationship between government rules and regulations and MSE transformation.*

2.5. Model Specification

The following multiple linear regression model was used.

$$Ti = \beta_0 + \Sigma\beta_i X_i + \varepsilon_i$$

Where:

T_i is the i^{th} observations of response variables
β_0 is the constant or intercept term
β_i are the coefficients of X_i variables
X_i is the i^{th} observation of explanatory variables
ε_i is the error term

Ti is MSEs transformation (Employment growth and Capital growth), and when the above general model changed into specified variables, the multiple regression equations were done as follows:

$$TC = \beta_0 + \beta_1 (FN) + \beta_2 (MGT) + \beta_3 (MRKT) + \beta_4 (INFR) + \beta_5 (TECNO) + \beta_6 (SUPT) + \beta_7 (ARK) + \beta_8 (GOVT) + \beta_9 (Gdr) + \beta_{10} (Edun) + \beta_{11} (Expe) + \beta_{12} (Age) + \beta_{13} (B\ type) + \beta_{14} (Locn) + \varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

$$EMP = \beta_0 + \beta_1 (FN) + \beta_2 (MGT) + \beta_3 (MRKT) + \beta_4 (INFR) + \beta_5 (TECNO) + \beta_6 (SUPT) + \beta_7 (BAR) + \beta_8 (GOVT) + \beta_9 (Gdr) + \beta_{10} (Edun) + \beta_{11} (Expe) + \beta_{12} (Age) + \beta_{13} (B\ type) + \beta_{14} (Locn) + \varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where:

TC is Capital growth, FN is Finance access, MGT is Management Know-how, MRKT is Market Access, INFR is Infrastructure, TECNO is Technology, SUTP is Support MSEs get, ARK is Accounting and Record keeping, GOVT is Government rules and Regulations, Edun is Level of owner's education, Expeis experience of the owner, Age is age of the owner, Btypeis Business type of the enterprise, Locn is Location of the business, EMP is Employment growth, Gdr is Gender of the owner, ε is the error term of the model.

3. RESULTS AND DISCUSSIONS

4.1 Results of Descriptive Statistics

4.1.1 Characteristics of Business

According to the survey, 24.30% (18) of respondents are females and 75.70 % (56) of are males. It has revealed that most of the respondents are men and they owned the largest portion. This is in support of Solomon, Rahael and Endalkachew [24].

As it is observed in table 4.1 below, the age ranges of transformed MSEs owners/managers are: 51.35% of them were between ages of 18-34, 32.44% between ranges of 35-45, 14.86% were between ages of 45-60 and the rest 1.35% were above 60 years of old.

Table: 4.1 Age of the owners/managers

Owner's age	Number	Percent
Between 18 and 34	38	51.35
Between 35 and 45	24	32.44
Between 45 and 60	11	14.86
61 and above years	1	1.35
Total	74	100

Source: survey result, 2011

And it indicated that most of transformed MSEs owners/managers are young and productive people. Hence, MSEs are important sectors for generating employment opportunities for young citizens.

As indicated in the table below , educational levels of MSEs operators are; (1.35%) illiterate , (12.16%) elementary school, (16.22%) junior school, (39.19%) senior secondary school and the remains (31.08%) university level. it clearly showed that MSEs offer greater opportunities of creating employment not only for educated people but also for illiterate and low skilled labor forces.

Table 4.2: Level of education for owners/managers

Level of education	Number	Percent
Illiterate owners	1	1.35
Elementary school attended	9	12.16
Junior school attended	12	16.22
Senior secondary school	29	39.19
University graduate	23	31.08
Total	74	100

Source: survey result, 2011

4.1.2 Characteristics of the Enterprises

As indicated in table 4.3 below, industry sectors were food processing (4.05%), textile and garment (5.42%), metal and wood works (51.35%) construction (32.43%), and others (6.75%). Hence, most of transformed MSEs (60%) were involved in construction and metal and wood works.

Table 4.3: Business sector

Sector	Frequency	Percent
Food preparation	3	4.05
Metal and wood works	38	51.35
Textile and Garment	4	5.42
Construction	24	32.43
Others	5	6.75
Total	74	100

Source: survey data, 2011

According to table 4.4, transformed MSEs are placed near to market (20.30%), near to raw material (6.80%), near to infrastructure (6.80%), suitable locations (58.10%), and inconvenient locations (8.20%). This clearly showed that most enterprises are sited in suitable location that have access to market, infrastructure, and raw materials and to all of the necessities for business maneuver.

Table 4.4: Location of the enterprise

Location	Frequency	Percent
MSEs Near to market	5	6.80
MSEs Near to raw material	5	6.80
MSEs Near to infrastructure	15	20.30
MSEs in Suitable location	43	58.10
MSEs in Inconvenient location	6	8.20
Total	74	100

Source: the survey data, 2011

As indicated in table 4.5 below, majority of enterprises were sole proprietorship (44.60%) followed by cooperatives (21.60%), private limited companies (17.60%), partnership (14.90%) and corporations (1.40%). So, most transformed MSEs are proven as sole proprietorship. This is consistent with findings of Solomon and Endalkachew.

Table 4.5: Form of Ownership of the Enterprise

Form of ownership	Frequency	Percent
Sole proprietorship MSEs	33	44.60
Partnership MSEs	11	14.90
Cooperative MSEs	16	21.60
Private limited companies	13	17.60
Corporation type	1	1.40
Total	74	100

Source*: *survey data, 2011

Business owners/operators were asked about factors behind their motives to start own businesses. As reported in table 4.6 below, the most important motive to start a business is the entrepreneur's desire to become independent. Majority of them (39.18%) were to realize a dream, (33.08%) wanted to be their own boss, (13.51%) were to realize a better financial position followed by to enjoy a better quality of life (10.81%). The rest 5.41% could not find suitable waged employment to become business operators. Similar findings are reported by Solomon and Endalkachew.

Table 4.6: Motivating Factors for Starting a Business

Motivations for starting a business	*Frequency*	*Percent*
To be your own boss	23	33.08

You could not find suitable waged employment	4	5.41
To realize a dream	29	39.18
To realize a better financial position	8	10.81
To enjoy a better quality of life	10	13.51
Total	***74***	***100***

Source*: *survey data, 2011

Source of Startup Capital

As table 4.7 shows below, the source of initial capital for the MSEs operators were: 6.76% gift from relative and friends, 4.05 % support from government and NGOs, 12.16 %credit from formal borrowing, 1.35 % credit from equb, 63.52 % from their own savings, 8.11 % credit from informal borrowing and 2.70 % selling personal properties. This implies that MSEs have less finance access in terms of credit from banks and micro finance institutions and majority of initial sources of financing comes from personal savings, household assistance, and financial support from their families and friends. Credit for startup both from formal and non-formal financial markets is relatively rare. Banks do not normally practice risk lending to new investors of small enterprises, which do not have a record of accomplishment .Thus, many micro and small enterprises begin with very small amounts of capital from personal savings and household assistance, from relatives or friends, and steadily build up their enterprise by reinvesting profits. And the average initial capital of enterprises was Birr 79,164.86 with a range of Birr 650,000 and current capital of Birr 2,919,631.17 with a range of Birr 6,641,853.

Table 4.7: Sources of finance at Start up

Sources of finances	Frequency	Percent
Own saving	47	63.52
Credit from formal sources	9	12.16
Credit from informal sources	6	8.11
Equib	1	1.35
Support from family/friends	5	6.76
Selling personal assets	2	2.70
Aid from the government and NGO	3	4.05
Others	1	1.35
Total	74	100

Source: survey data, 2011

4.2.1 Correlation analysis-Average capital growth rate as a MSE transformation proxy

Finance access, management know-how, market access, technology and accounting and recordkeeping are significant at 1 percent level of significance. Poor infrastructure is significant at 10 percent level of confidence. Except poor infrastructure other variables are correlated positively. However, support MSE get and government rules and regulations are correlated insignificantly. Correlation coefficients of finance, management know-how, market access, infrastructure, technology and accounting and recordkeeping with average capital growth are 37.70 %, 27.60 %t, 32.90 %, -15.20 %, 40.30 %t and 28.10 % respectively. Hence, there were relatively a strong association of finance access, market access and technology with average capital growth in contrast with management know-how, infrastructure, and accounting and record keeping.

As observed of coefficients values that gender and location near to infrastructures were weakly correlated at 19.40 % and -28.80 % with average capital growth. But experience of owner, location except near to

raw-material and type of industry excluding food processing were correlated insignificantly. As projected by Jovanovich model of firm growth, amongst samples of surviving enterprises, younger organizations grow quicker. The relationship of average capital growth with respect to age of the enterprise is negative over our sample space and the negative sign of coefficient for age of enterprise was statistically significant at 10 percent significant level, indicating that in case of our sample, growth decreases at increasing rate with age of the firm.

4.2.2 Correlation analysis-Average employment growth rate as a MSE transformation proxy

As indicated in table 4.8 below, Management know-how was insignificant at 5 percent, market access was significant at 5 percent, poor infrastructure and accounting and recordkeeping were significantly correlated at 1 percent with average employment growth. Except poor infrastructure other variables were correlated positively. However finance access, technology, support MSE get, and government rules and regulations were correlated insignificantly.

Table 4.8: Correlations (Pearson) analysis: Average Capital Growth (ACG) and Average Employment Growth (AEG) rate as a transformation proxy

Variables	ACG	Sig.	AEG	Sig.
Finance access	0.377	0.000	0.116	0.163
Management know-how	0.276	0.009	0.196	0.047
Market access	0.329	0.002	0.173	0.070
Poor infrastructure	-0.152	0.098	-0.297	0.005
Technology	0.403	0.000	0.015	0.451
Support MSEs get	0.025	0.415	-0.085	0.233
Accounting and record keeping	0.282	0.009	0.241	0.021
Government rules and regulations	0.005	0.486	-0.057	0.313
Age of the enterprise	-0.167	0.076	-0.455	0.000
Experience of the owner/manager	0.052	0.344	-0.227	0.026
Dummy gender	0.194	0.049	-0.039	0.371
Dummy education	-0.221	0.029	0.041	0.364
Dummy textile	-0.090	0.223	-0.040	0.366
Dummy food processing	0.158	0.089	0.384	0.000
Dummy metal and wood works	-0.069	0.280	-0.063	0.297
Dummy other sectors	-0.084	0.237	-0.023	0.422
Dummy construction	0.063	0.296	-0.104	0.188
Dummy inconvenient location	-0.119	0.155	-0.048	0.343
Dummy near to market	-0.081	0.248	-0.081	0.247

Dummy near to raw material	-0.097	0.202	0.108	0.180
Dummy near infrastructure	0.270	.010	-0.131	0.133
Dummy suitable location	-0.059	0.309	0.122	0.150

Source: the survey result, 2011

Correlation coefficients of management know-how, market access, infrastructure, accounting and recordkeeping with average capital were 19.6 %, 17.3%, -29.7 % and 24 % respectively; and indicated there were relatively strong negative association of infrastructure with average capital growth in contrast with management know-how, market access and accounting and record keeping. Experience of owner/manager and age of enterprises were negatively correlated with average employment growth, and industry type of food processing was positively correlated at 5 percent level of significant, age of enterprise was correlated at 1 percent level of significant. Coefficients values of experience of owner/manager, age of enterprise and food processing industry were correlated at -22.7 %, -45.6 % and 38.4 %t respectively. But gender of owner/manager, levels of education, and other type of business and location of enterprise were correlated insignificantly. Here, as predicted by the Jovanovich model of firm growth, among this sample of surviving firms, younger firms grow faster. The relationship of average capital growth with respect to age of enterprise was negative over our sample space and the negative sign of coefficients for age of enterprise was statistically significant at 10 percent significant level, indicating that in the case of our sample, growth decreases at increasing rate with age of the firm.

4.3. Econometrics analysis: The impact of determinant factors on the transformation of micro and small enterprises

Table 4.11 below shows regression results of the two models by using both summery of regression table and ANOVA table and the regression table summery includes Coefficients, Standard Errors, t-values and p-values for each of two models, and ANOVA table includes number of observations, F-statistics, R-squared and Adjusted R-squared for each models.

Table 4.9: Summary of regression analysis for the study variables

	Capital growth				Employment growth			
Variables	Coefficients	Std .Error	T	Sig.	Coefficients	Std. Error	t	Sig.
Finance access	0.451	11.647	2.826	0.007*	0.097	0.454	.570	0.570
Management know-how	0.268	8.127	2.451	0.018**	0.170	0.317	1.454	0.150
Market access	0.206	8.454	1.700	0.095***	0.072	0.330	0.554	0.581
Poor infrastructure	-0.118	8.213	-1.065	0.292	-0.237	0.321	-2.001	0.050***
Technology	0.109	13.717	.585	0.561	0.044	0.536	0.220	0.825
Support MSEs get	0.369	16.502	2.399	0.020**	-0.234	0.644	-1.420	0.160
Accounting & record keeping	0.307	9.822	2.431	0.018**	0.166	0.384	1.223	0.225
Government rules & regulation	0.095	8.016	0.874	0.386	-0.096	0.313	-0.821	0.414
Experience of the owner	0.082	1.978	0.520	0.604	0.171	0.076	1.020	0.311
Age of the enterprise	0.129	4.031	0.864	0.390	-0.385	0.156	-2.407	0.020**
Dummy Gender	0.008	18.452	0.065	0.947	-0.181	0.720	-1.412	0.165
Dummy Education	-0.128	16.790	-1.138	0.260	0.092	0.652	0.772	0.442

Dummy Textile sector	-0.139	32.942	-1.241	0.220	0.138	1.287	1.143	0.257
Dummy Food sector	-0.104	32.760	-0.843	0.403	0.241	1.279	1.813	0.075***
Dummy Metal & wood	-0.182	15.788	-1.550	0.127	-0.008	.617	-0.060	0.952
Dummy Others sector	-0.093	37.510	-0.830	0.410	0.046	1.465	0.383	0.701
Dummy inconvenient location	0.111	34.355	0.784	0.436	0.113	1.342	0.747	0.457
Dummy near to market	-0.204	29.750	-1.664	0.102	0.023	1.162	0.171	0.863
Dummy near to infrastructure	-0.237	30.281	-2.069	0.043**	0.171	1.183	1.388	0.171
Dummy suitable location	-0.201	18.591	-1.449	0.153	0.270	.726	1.815	0.075***
Sample	74				74			
F(20-53)	3.082 (P=0.001)				2.338(P=0.007)			
R-Square	0.538				0.469			
Adj R square	0.363				0.268			

*** *Indicates statistically significant at 10 percent significant Level*
** *Indicates statistically significant at 5 percent significant Level*
* *Indicates statistically significant at 1 percent significant Level*

Source: survey result, 2011

As it is summarized in table 4.11 above, the explanatory power of variables used in two models, the R-squared values were 53.8 % and 46.9 % for average capital growth and average employment growth respectively. This implies that 53.4 % of changes in average capital growth and 46.9 % of changes in average employment growth were successfully explained by the variables used in two models of this study. However, the remaining 46.2 % of changes in average capital growth and 53.1 % of changes in average employment growth were caused by other factors that are not included in models. These results indicated the overall goodness-of-fit of models used. Goodness-of-fit (R^2) for model (0.538) and (0.469) is better than the one reported by Chami and Papadaki (0.181), Evans (0.1438), and Solomon (0.258).The adjusted R square for two models is 0.363 and 0.268 for average capital growth and for average employment growth respectively. This means that if we take model size into account, 36.3 % of variation in average capital growth and 26.8 % of variation in average employment growth were explained by the values of independent variables. Moreover, the overall significance of two models, when measured by their respective F- Statistics of 3.082 and 2.338 with P-values of 0.001 and 0.007 respectively has indicated that these models were well fitted at 1 percent level of significance.

Finance access had coefficient estimate of 0.452 and 0.098 with average capital growth and average employment growth. It was statistically significant at 1 percent level of significance for average capital growth and statistically insignificant for average employment growth. The coefficient of finance access has revealed that MSEs transformation was positively related with increase in finance access. Since the (P-values) of finance access was statistically significance at 1 percent for average capital growth and statistically insignificant for average employment growth, the null hypothesis is rejected and the alternate hypothesis is accepted, which says there is significant relationship between finance access and MSEs transformation in to medium level industry. Therefore, the outcome of this variable is in line with the proposed alternative hypothesis. Thus, there was significant positive relationship between finance access and MSEs transformation. Pamelaet.al also reported a significant negative relationship between lack of finance and micro and small enterprise performance.

Since the (P-values) of management know-how was significant at 5 percent level of significant for average capital growth and insignificance for average employment growth respectively, the null

hypothesis is rejected and the alternate hypothesis is accepted. Thus, there was significant positive relationship between management know-how of owners/managers and MSEs transformation in to medium level industry. This is consistent with the findings of solomon, Pamela et.al and Mulu [25].

Market access had coefficient estimates of 0.206, and 0.072. It was statistically significant at 10 percent level of significance for average capital growth and statistically insignificant for average employment growth. The coefficients of market access imply that MSEs transformation was positively related with increase in market access. Since the P-values of market access was statistically significance at 10 percent level of significance for average capital growth and insignificance average employment growth, the null hypothesis is rejected and the alternate hypothesis is accepted. Hence, there was significant relationship between market access and MSEs transformation in to medium level industry. This outcome had the support of Chami and Papadaki, Solomon.

Poor infrastructure was statistically insignificant for average capital growth and significant for average employment growth at 10 percent significant level. Poor infrastructure has negatively related with MSEs transformation (coefficient of -0.118). Services such as electricity, telecommunications, transportation, and water and sanitation play a critical role in a country's development and are directly and indirectly linked to MSEs transformation and economic growth. Poor infrastructure directly affects MSEs. Power failures affect production of goods and services and inaccessible roads affect their distribution and increase transportation costs. For example, businesses may find it problematic to operate in rural areas that are not accessible despite high demand for their products. This limits their ability to expand and any opportunity to generate profit as reported by Pamela et.al. This finding was consistent with findings of Pamela et.al and Solomon, which reported significant negative relationship of poor infrastructure and micro and small enterprise performance.

Technology had coefficient estimates of 0.065, and 0.097, it was statistically insignificant for both average capital growth and average employment growth. The coefficients of technology imply that MSEs transformation was not related with the increase in technology access. There is no significant relationship between technology access and MSEs transformation. Since the (P-values) of technology access was statistically insignificance for both average capital growth and statistically insignificant for average employment growth, the null hypothesis is accepted and the alternate hypothesis is rejected, which says there is no a significant relationship between technology and MSEs transformation in to medium level industry. Even though, most findings Langen berg and Indarti reported insignificant relationship between technology and enterprise growth, a further investigation is needed in this regard.

The support MSE get had coefficient estimates of-0.369 and -0.234.It was statistically significant at 5 percent level. Even though Langen berg and Indarti reported negative insignificant relationship between support and MSEs growth, this finding was consistent with most findings [26].

Since the (P-values) of accounting and recordkeeping was statistically significance for average capital growth and statistically insignificant for average employment growth at 5 percent, there was significant relationship between accounting and recordkeeping and MSEs transformation. Therefore, the outcome of this variable is in line with the proposed alternative hypothesis. Thus, there was significant relationship between accounting and recordkeeping and MSEs transformation. This result is no surprising since all transformed MSEs were required to have accounting and other records by the agency. Therefore, having recordkeeping and accounting records was a factor for their transformation in to medium level industry. This is in support of Mwangi[27].

Government rules and regulations have no predicative capability in presence of other independent variables. Since the (P-values) of government rules and regulations was insignificant for all two transformation indicators, the alternative hypothesis is rejected. Even though, Langen bergand Indarti found insignificant relationship between government rules and regulations, Nichter and Goldmark reported as regulatory and institutional challenges deter MSEs owners from making growth-enabling investments, while special subsidies and trade protection offer greater benefits to larger firms, which are often more capable of lobbying. Smaller firms more frequently report government policies to be unpredictable, and this uncertainty may be yet another factor that reduces growth-enabling investments.

Here, most of the MSEs operators has revealed they didn't face this problem. Government rules and regulations are one obstacle for MSEs.

4. CONCLUSION AND RECOMMENDATION

4.1 conclusions

74 transformed micro and small enterprises were taken to understand determinants of micro and small enterprise transformation in to medium level industry in Addis Ababa city. The sample frame was taken from formally registered transformed MSEs in Addis Ababa micro and small enterprise development bureau. Five types of business activities were selected. These were construction, textile and garment, food processing, metal and wood works and other enterprises (parking services, cleaning services, urban agriculture). Proportionate stratified random sampling method was used to select samples from 241 transformed MSEs in Addis Ababa.

Descriptive statistics has revealed that majority of source of finance for their business is own sources. It is difficult to borrow money from banks because they lack collateral. On the other hand, loans provided by micro-finance institutions are small, with short repayment periods and high interest rates. The government support in terms of finance is very low compared to other source of financing. This is consistent with previous studies (Solomon and Pamela et.al). Finance access has a strong relationship with average capital growth and no relationship with average employment growth.

The study also revealed that management know-how has strong relationship with average capital growth and no relationship with average employment growth.

There was also strong relationship between market access and average capital growth and no relationship with average employment growth. Market access for enterprises include high demand for products produced, availability of raw materials, good market linkage in the city, less difficulty of searching new market for products , good opportunity to participate in exhibitions, bazaars, markets and access to information on market/consumer products.

Power failures affect production of goods and services, and inaccessible roads affect their distribution and increase transportation costs. For example, businesses may find it problematic to operate in rural areas that are not accessible despite high demand for their products. This limits their ability to expand and the opportunity to generate profit. The study revealed no relationship between technology and average capital growth and average employment growth.

There was weak relationship between the support MSEs get from the government, friends, NGOS, their families and relatives. But there was no significant relationship between government rules and regulations and MSEs transformation.

5.2 Recommendation

A number of factors were identified for transformation of MSEs in to medium level industry in Addis Ababa. The most important was finance access. The government should help MSEs in easily accessing their financial needs. Business owners should source cheap, low-interest loans from banks and other financial institutions, borrow from friends and relatives with the intent to repay the money, negotiate advance payments from customers, low tender prices, and flexible credit terms from suppliers and seek loans from micro-financing organizations.

Government and policy makers should prepare management workshops and seminars that can be structured by: chambers of commerce, non-government organizations (NGOs), universities, and nonprofit organizations to train MSEs owners/managers about leadership, planning, organizing, communication skills, personal and financial management, basic accounting, marketing strategies, and recordkeeping. Business owners should network and seek advice from experienced entrepreneurs in MSEs.

Attention should be given for market access for product of micro and small enterprises. The government and other stakes better help the sectors in searching market for their products through different ways both inside and outside the country. They can also create a link between large industries and micro and small enterprises. This is because the finding of this study has revealed that market access was positively related with transformation of micro and small enterprises in to medium level industry.

Government should take necessary actions to build and maintain infrastructures like reliable power supply, reliable telecommunication and internet connection, enough water supply, good road facilities, adequate business and industrial premises (shops, offices, factories, market stands, etc.) and adequate drainage and cleaning facilities.

It is highly recommendable for government and other concerned bodies to have a training program that can support MSEs, like book-keeping mechanisms that record financial and non-financial matters, a Contract administration policy training, financial management mechanisms, cash-flow management systems, financial control mechanisms and contract document interpretation mechanisms.

The government of Ethiopia and policy makers should continue their efforts to a reliable and tangible transformation in terms of capital creation and employment generation. Government policies and strategies towards micro and small enterprises is the key to micro and small enterprises. Right policies considering the above factors can alleviate the massive failures of micro and small enterprises in Ethiopia. Government should continue their effort towards the expansion and development of micro and small enterprises. These findings support government policies towards micro and small enterprises in creating employment opportunities and supporting large enterprises in the country.

5. LIMITATION AND IMPLICATION FOR FURTHER RESEARCH

The researchers want to conduct determinants of whole Ethiopia MSEs that inhibit or limit them from transformation in to medium level industry. But because of resource constraint and width of concepts the researcher were planned to conduct the research in Addis Ababa city administration MSEs only. Moreover, the research was a limitation of time, and finance. Thus, the study was designed to focus on and used mainly primary data source for its analysis though it used some secondary data. However, it was not simple due to the reasons that most of the respondents were dispersed and was not willing to answer questions.

Regarding further research directions, this research highlights number of issues that give directions on determinants of micro and small enterprise transformation in to medium level industry. Thus, by taking the previous studies and this study as a stepping stone, it could be possible to come up with a better insight. The outcome of this study can be more robust, if future researchers conduct a study on this area by taking other qualitative measure of transformation such as performance, success and financial measures of ROA, profitability, and revenue generated by the enterprises. Finally, interested parties to MSEs development in Ethiopia, such as universities, non-government organizations, and business development service should address these determinants, and impediments of micro and small enterprise transformation in giving assistances to MSEs.

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COMPETING INTEREST

The author has declared that no competing interest exist

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Appendix A

Research Questionnaire:

Dear sir/madam! The following questions are prepared for research purpose to be undertaken on "***Assessment of the Determinant Factors of Micro and Small Business Enterprise Transformation in to Medium Level Industry in Addis Ababa City Administration"***. Therefore, you are kindly requested to answer the following questions appropriately as per the requirements listed below.

Part I- Demographic Questionnaire

The following is a questionnaire designed to fill your personal information. Please indicate your appropriate response using "X" mark.

1. Gender
    a. Male
    b. Female
2. Age_____
3. Education of the entrepreneur
    a. illiterate
    b. Elementary
    c. Junior high
    d. Senior high
    e. University
    f. Others, please specify_____
4. For how many years do you experienced this type of business? _____
5. When was your organization established? _____
6. What is the source of your initial capital? _____
    a. Own saving
    b. Credit from formal sources
    c. Credit from informal sources
    d. Equib
    e. Support from family/friends
    f. Selling personal assets
    g. Aid from the government and NGO
    h. Others, please specify_____
7. Where your business is located?
    a. Inconvenient location
    b. Near to the market
    c. Near to raw material
    d. Near to infrastructure
    e. Suitable locations

f. Others, please specify_____

8. Which of the following is the **primary** reason why you became a business owner?

a. To be your own boss

b. You could not find suitable waged employment

c. To realize a dream

d. To realize a better financial position

e. To enjoy a better quality of life

f. Other (please specify)_____

9. Industry sector
   a. Construction
   b. Textile and Garment
   c. Food processing
   d. Metal and wood works
   e. Other, please specify_____

10. Fill the following:

	Capital	Employee
Initial		
Current		

11. Rank which factor due think that attributable for your transformation to medium level industry from most to least using a number?

No	Factor	Rank
1	Finance access	
2	Management know-how	
3	Market access	
4	Infrastructure	
5	Technology	
6	Support	
7	Accounting and recordkeeping	
8	Government rules and regulations	

Part II- Micro and Small Enterprise questionnaire

The following is different opinions about Micro and small enterprises transformation in Addis Ababa city administration. Please indicate how strongly you agree or disagree with each by using the following scale.

1= Strongly disagree

2= Disagree

3= Neither disagree nor agree (neutral)

4= Agree

5= Strongly agree

S/N	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
	Finance access					
1	I do have enough money to run this business					
2	It is easy for me to get a bank loan					
3	It is easy to get flexible credit terms from suppliers					
4	It is easy to get guarantee bonds, securities and insurance bonds					
5	There are good tendering costs					
6	It is easy to get advance working capital when needed					
	Management know-how					
7	I have enough prior experience in managing this type of business					
8	I have enough technical experience in operating activities					
9	I have reliable managerial skills					
10	I have decision making skills					
11	I have good leadership skills					
12	I have good communication skills					
	Market access					
13	There is a high demand for products produced					
14	I have access to information on market/consumer of my products					
15	There is availability of raw materials					
16	There is a good market linkage in the city					
17	Searching for new market for my products is					

	not so difficult					
18	There is a good opportunity to participate in exhibitions, bazaars,and markets.					
Poor infrastructure						
19	Bad roads are a major obstacle for businesses in this city					
20	Poor telecommunication system is an impediment to business transformation					
21	There is disruption of water for my operation					
22	Erratic power supply poses a problem for businesses in this city					
23	There is no proper drainage systems in the city.					
24	There is no adequate business and industrial premises (shops, offices, factories, market stands, etc.)					
Technology						
25	Existing technology suffices to support all production processes					
26	Existing technology supports innovation					
27	Existing technology is easily maintainable					
28	New technology to support innovativeness in the business is attainable					
29	I have access to information on technologies to support my business					
30	There is adequate technology facility for my operation in the city.					
Support MSEs get						
31	Government support to my business is satisfactory					
32	I have get business development service					

	support					
33	I have many helpful colleagues/friends who support the business					
34	I have professional affiliation/business association that supports the business					
35	I have Non-Governmental organizations that support my business					
36	It is easy to get financial support from the government					
	Accounting and record keeping					
37	I have Book-keeping mechanisms that record financial and non-financial matters					
38	I have a Contract administration policy in my enterprise					
39	I have financial management mechanisms					
40	I have contract document interpretation mechanisms					
41	I have financial control mechanisms in my enterprise					
42	I have cash-flow management systems in my enterprise					
	Government rules and regulations					
43	I can't got business permit and other permits easily and quickly					
44	I haven't strong confidence in the legal system to enforce contracts and property rights					
45	During running the business, I have a problem when having contact with government.					
46	The government policies regarding to tax are not fair					
47	There are no transparent rules and regulations about enterprises.					

48	I haven't access to information on government regulations that are relevant to my business.					

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