



Assessment of contributions of policies and strategies to entrepreneurship development in micro and small enterprises (MSEs) in Addis Ababa, Ethiopia

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Abstract

The purpose of this study was assessing the practical contributions of relevant policies & strategies to entrepreneurship development in MSEs. The study was underpinned by pragmatism & adopted mixed methods research design. Both primary and secondary data were collected via questionnaire, key informant interviews & document analysis. Frequencies, percentages, crosstabs Kruskal-Wallis test, and thematic analysis were applied to analyze data. Results show that the policies and strategies could not satisfactorily contribute in solving problems related working premises, initial capital, inputs, market linkages and training and consultancy. It is reported that establishing new enterprises is difficult and the overall working environment is not conducive.

Keywords: contributions of policies and strategies, entrepreneurship development in MSEs, support packages of MSEs

Introduction

Many areas of government policies including regulatory policies, trade policies, labor market policies, regional development policies, social policies, and even gender policies affect levels of entrepreneurial activity (Lundstrom & Stevenson, 2005) [26]. Governments around the world consider promoting entrepreneurship as a central theme in their economic strategies. Instilling the entrepreneurial spirit often depends on the political measures put into place (Ribeiro-Soriano & Galindo-Martín, 2012) [33]. A hospitable environment is created for micro and small enterprises (MSEs) when sound policies are enacted and the government and other stakeholders eagerly pursue those options that lead to economic and industrial development (Desai, 2009). It is believed that well-designed government policies can promote entrepreneurship and innovation in products, services, and business models (Bradley, Kim, Klein, McMullen, & Wennberg, 2021) [3]. Designing and implementing appropriate economic policies, strategies, and legal/regulatory frameworks are the sine qua non for creating an enabling environment to promote MSEs (Gebrehiwot & Wolday, 2006) [18]. Hence, the government can play a prominent role in enhancing entrepreneurial endeavors by crafting policies that minimize bureaucracies and regulatory hassles that make the endeavors to be costly and daunting (Braunerhjelm, Larsson, Thulin & Skoogberg, 2016; Gebrehiwot & Wolday, 2006) [4, 18]. Unlike the old times when entrepreneurship was seen as a minor constituent of other development strategies, these days it has become recognized in its own right as a separate development approach pursued by governments in many countries (Walzer, 2007) [39]. The policy interest stems from the presumption that entrepreneurs provide economy-wide benefits in the form of new products,

lower prices, innovations, and increased productivity (Holtz-Eakin & Rosen, 2004) [21]. Unlike the 1950s and 1960s when microenterprises were viewed negatively as negligible and unproductive entities that evade taxes and had little impact on growth or for boosting entrepreneurial capacity, today governments across the globe are enthusiastically working to promote MSEs and entrepreneurship (Vandenberg, 2006) [37]. To this end, policymakers and development communities in the developing world began to consider spurring private sector development (PSD) as a crucial means of mitigating poverty. In South Africa, for example, the small, micro and medium enterprise (SMME) sector remains one of the key policy focus areas of the government since the advent of democracy. Governments attempt to promote MSEs through policies, strategies and plans that encourage provision of various support packages. In this line, Oni and Daniya (2012) [31] stress that governments of most countries, mainly developing countries, have in the past invested so much efforts and resources in establishing policies intended to uplift entrepreneurship. Likewise, Obaji and Olugu (2014) [30] emphasize that government is in the forefront of entrepreneurial development and thus it should provide the much needed resources within its capability. Across South Africa, for instance, a broad range of support programmes targeted at small businesses are provided by different government departments and institutions as well as the private sector (TDI, 2010). Similarly, the government of Mozambique has designed small business support services for SMEs which include the policy initiatives and support programs for the purpose of creating and developing the SME sector. There is a tendency among governments to copy policies found to be

successful in other countries without considering their local realities. To this effect, Lundstrom and Stevenson (2005) ^[26] argue that context matters and in that it is not always appropriate to replicate the "good practice" policy measures of governments in other countries. Hudsona, Hunterb & Peckhamc (2019) ^[22] underscored that policies do not succeed or fail on their own merits; rather their progress is dependent upon the process of implementation.

In line with the above scenarios, after coming to power in 1991, the government of the Federal Democratic Republic of Ethiopia (FDRE) launched market reforms with a view to developing a vibrant private sector and MSEs (Brixiova & Asaminew, 2010) ^[5]. This policy reform was instigated by the recent successful transformations in East Asia between the 1960s and 1980s (IMF, 2014). A number of countries and jurisdictions—including China, Singapore, South Korea, Thailand, Taiwan, and Vietnam—underwent rapid economic growth and socio-economic change over a period of 30 years. The establishment of Federal Micro and Small Enterprises Development Agency (FeMSEDA), which operated under the Ministry of Urban Development, Housing and Construction (MUDHC), by the proclamation No. 33/1998 as amended by Proclamation No. 104/2004 is worth mentioning effort. FeMSEDA was entrusted with the objective of encouraging, coordinating and assisting institutions that provide support to the development and expansion of MSEs in Ethiopia (UNDP, 2012) ^[36].

The ministry of education (MOE) has crafted National Technical and Vocational Education and Training (TVET) Strategy in 2002 and amended it in 2008. The main thrust of TVET's strategy is to create a competent, motivated, adaptable and innovative workforce that contributes to poverty reduction and social and economic development (FDRE-MOE, 2008) ^[11]. The issue of promoting MSEs and entrepreneurship was addressed in several consecutive development plans of the country. The two national development plans that were prepared in line with the overarching Agricultural Development Led Industrialization (ADLI) policy—the Sustainable Development and Poverty Reduction Program (SDPRP) of 2002/03–2004/05 and its successor, a Plan for Accelerated and Sustained Development to End Poverty (PASDEP) of 2005/06–2009/10, are worth mentioning in this regard. The same issue was also advocated in Ethiopia's industrial policy prepared in 2002, in Growth and Transformation Plan (GTP I) which was implemented from 2010/11–2014 /15, in the Micro and Small Enterprise Development Strategy, provision frameworks and methods of implementation approved in 2011 and in the very recently introduced Growth and transformation plan (GTP II) (2015/16–2019/20) of 2016. However, there are people who strongly argue against the government's schemes and view them as camouflages for mitigating political tensions rather than genuine ones designed to bring about nationwide benefits.

In Addis Ababa, the practice of entrepreneurial and MSEs related activities have been in place since its establishment in 1887. Etegie Menen's Hand Craft launched in 1942 and other MSEs related plans and directives were crafted and practiced during the emperor and Dergue regimes. The Addis Ababa city government has established MSEs development agency under the then trade and industry bureau as of 2003 (AACAMSEDA, 2016). Addis Ababa, the capital of Ethiopia and the focus of this study, has got 25, 399 MSEs in its ten sub cities as of 2016. Despite the

aforementioned claimed efforts on the part of the government to spur entrepreneurship and MSEs, the sector could not bear the expected amount of fruits though a quarter of a century has been elapsed after the current government's ascendance to power. Thus, the purpose of this study is to comprehensively investigate whether the relevant policies, strategies and plans have really contributed to the development of entrepreneurship in MSEs.

Statement of the Problem

Entrepreneurship development is at the forefront of policies of countries which intend to achieve significant economic growth and thereby improve the living conditions of millions of poor citizens in their respective country. Bradley *et al.* (2021) ^[3] succinctly stated that the overall effects of such policies, the exact mechanisms by which they operate, and the boundary conditions under which they apply remain unclear. Ribeiro-Soriano & Galindo-Martín (2012) ^[33] plainly opined that instilling the entrepreneurial spirit often depends on the political measures put into place. There is common belief that small and new firms need policy protection and support relative to large firms due to size-inherent cost disadvantages. Concomitant to this, various initiatives, development policies, and plans have been launched to spur economic growth in Ethiopia. Besides, different business and public development programs that are geared towards promoting MSEs' development and generating employment opportunities have been put in place (EEA, 2015).

During the current regime, EPRDF, the problems faced by MSEs and entrepreneurs have still remained burning policy issues despite the acknowledgment of the sector's importance in job creation and poverty reduction endeavor of the country. To this effect, Addis Ababa city administration MSEs development bureau [AACAMSEDB] (2013) noted that in spite of the MSEs sector's potential to contribute to the country's economy, the sector is largely constrained by various structural, institutional, and policy related problems and bottlenecks that stifle its rapid growth and development. Furthermore, MSEs were singled out as major instruments to create productive and vibrant private sector and reduce poverty among urban dwellers in the industrial policy of 2002, SDPRP, PASDEP, GTP I and GTP II among others (MoFED, 2006; MoTI, 1997; 2011; National Planning Commission; 2016). On top of this, endeavors of other governmental and non-governmental institutions such as AACCSA, UNDP, EDC, TVETs, GEM, IMF, World Bank, and OECD meant to enhance MSEs and entrepreneurship development are prevalent. These efforts apparently show the government's commitment, at least in principle, to enhance the sector but whether these policies and strategies are effectively implemented and brought promised results is an area that warrants further investigation.

Notwithstanding all the aforementioned endeavors on the part of government and non-government institutions, the progress of MSEs and entrepreneurship is not adequate. To this effect, Brixiova and Asaminew (2010) ^[5] stress that despite the recent economic growth, productive entrepreneurship and vibrant small and medium-sized enterprises in Ethiopia remain limited even twenty years after the launch of market reforms by the present government. Rosen (2016) adds that Ethiopia has remained an industrial laggard even in the world's least industrialized continent regardless of economic growth. EEA's (2015) ^[10] research brief reveals the growth of small scale and cottage

manufacturing industries has declined to 4.8 percent during the first three years of GTP-I implementation from the average growth of 6 percent registered during the preceding PASDEP period. The slow growth in the overall manufacturing sector during GTP-I period was ascribed to the poor growth performance of micro and small scale manufacturing industries and delay in the implementation of large manufacturing projects (FDRE-National Planning Commission, 2016, p. 28) [29].

Ethiopia is rated as having one of the lowest rates of entrepreneurial activity in the sub-Saharan African region in the 2012 report of Global Entrepreneurship Monitor (GEM). According to 2015's Doing Business Index, Ethiopia is ranked 168 out of 189 countries in terms of regulations and regulatory processes involved in setting up and operating a business (World Bank, 2016) [40]. There is mounting evidence that improving the regulatory environment for domestic small and medium-sized businesses immensely contributes to economic growth but this is not being materialized in Ethiopia (World Bank, 2016) [40]. A recent study conducted by Mudde, Dugassa, and Alemfrie (2015) [28] uncovered that compared to international standards, the current environment is not yet conducive for doing business and national entrepreneurship policy that was prepared to guide MSEs' development could not bear the promised amount of fruits.

Thus, this study tried to answer the question why entrepreneurship development in MSEs is sluggish despite the efforts of government and other stakeholders? As discussed above, there are a number of studies that mainly assess entrepreneurship related policies and strategies; nevertheless, there is scantiness of studies assessing the practical contributions of policies and strategies to entrepreneurship development in MSEs particularly from developing countries' perspective. Doing so is believed to shed some light on the question "why the policies, strategies, and plans crafted so far could not bring the desired level of progress in terms of entrepreneurship development in MSEs?"

Objectives of the Study

The purpose of this study was assessing the contributions of policies, strategies and plans to entrepreneurship Development in Micro and Small Enterprises (MSEs). To this effect, the following specific objectives were set:

1. To assess how MSEs operators rate the contributions of policies, strategies and plans in fostering entrepreneurship development
2. To evaluate whether the benefit packages promised to be delivered to people engaged in MSEs are fully materialized?
3. To identify factors that impede the contributions of policies, strategies and plans in promoting the development of entrepreneurship in MSEs

Materials and Methods

Here, issues like philosophical orientation, research design, sampling method, sample size determination, techniques of data collection and data analysis are discussed.

All research endeavors have philosophical foundations that serve as a base to identify the fundamental suppositions (Creswell & Plano Clark, 2011) [8]. The researcher's philosophical point of reference has consequences for each decision made in the inquiry process, including the choice of method (Creswell, 2009) [7].

Therefore, explicitly identifying the philosophical assumptions is considered to be the initial step in planning a research (Mertens, 2010a) [27]. The philosophical assumption held by the researcher serve as cornerstones in the choice of appropriate research design, research approach, the strategy of inquiry, and the specific research methods that translate the approach into practice in line with the researcher's world view (Creswell, 2009) [7]. In this line, Greene (2006) [20] upholds that methodology in a social science is importantly rooted in issues that are the substance of the philosophy of science, in particular, assumptions about the nature of the social world (ontology) and about the nature of warranted social knowledge (epistemology). There are competing paradigms that guide research endeavors including positivism, constructivism, advocacy/participatory and pragmatism. Among these, pragmatism, the philosophical orientation most often associated with mixed methods (Teddlie & Tashakkori, 2009) [35], is adopted in this study.

Pragmatism, in research methodology, is a philosophical position that judges knowledge claims by how useful they are to the community of researchers and users of knowledge (Vogt, Gardner, & Haeffele, 2012) [38]. The basic assumption under pragmatism is, "what is ultimately important is what works in practice and what promotes social justice" (Creswell & Plano Clark, 2011) [8] with a focus on the ends. To this end, Johnson and Onwuegbuzie (2004) [42] underlined a research design under pragmatism need to be planned and conducted based on what will best help the researcher correctly answer research questions. Creswell (2009) [7] maintains that pragmatism opens the door to multiple methods, different worldviews, diverse assumptions, and different forms of data collection and analysis techniques. Mixed methods allows the investigator collect and analyze data, integrate the findings, and draw inferences using both qualitative and quantitative approaches or methods in a single study or program of inquiry (Tashakkori & Creswell, 2007) [34]. Moreover, applying mixed methods enable to check the validity of responses. Accordingly, in this research, various methods such as survey, KIIs and document reviews are applied. Dong so has greatly helped in answering the research questions stated at the end of statement of the problem.

For this study, the study population comprises of those people engaged in MSEs in all the ten sub cities of Addis Ababa city. The MSEs are operating in five different sectors—construction, manufacturing, trade, urban agriculture and service—each consisting of many sub sectors. The ten sub cities are grouped in to three categories in terms of the MSEs' population and their proximity to the center. Accordingly, one sub city from each category is randomly selected with the intension of drawing representative sample. The three sub cities selected, in this regard, are Yeka, Bole and Lideta. This decision was informed by the limited availability of budget, time and other logistics. In addition to the MSEs' operators, the people working in offices issuing relevant policies, strategies and plans as well as those working in organizations established to foster entrepreneurship development in MSEs were sources of data. According to the data obtained from Addis Ababa City Administration's Micro and Small Enterprises Development Bureau [AACAMSEDB], in the ten sub cities there are a total of 25, 399 MSEs (AACAMSEsDB & Ethiopian Civil Service University, 2017, p. 39) [1]. Data regarding the prevalence of MSEs in the three selected sub cities is presented in table 4.1 below.

Table 1: Distribution of MSEs in the selected sub cities in each sector

Sub city	The sector MSEs are engaged in					Total
	Manufacturing	Construction	Urban agric.	Service	Trade	
Yeka	674	1750	81	527	839	3,871
Bole	514	980	55	370	420	2,339
Lideta	296	639	31	246	499	1711
	1,484	3,369	167	1,143	1,758	7,921

Source: Addis Ababa City Administration MSEs Development Bureau (AACAMSEsDB) & Ethiopian Civil Service University, 2017, p. 39 ^[1].

Given the finite target population of the study, to determine the sample size, a sample size formula for the finite population developed by Krejcie & Morgan (1970, p. 607) ^[25] was used. In this study the degree of precision is determined to be 0.05; the confidence level is chosen to be 95% and the population proportion is assumed to be 50% as this results in the largest sample size (Krejcie & Morgan, 1970) ^[25].

$$S = \frac{X^2 NP (1-P)}{d^2 (N-1) + X^2 P (1-P)}$$

Where

S=Required Sample size

X=Z value (e.g. 1.96 for 95% confidence level)

N=Population Size

P=Population proportion (expressed as decimal) (assumed to be 0.5 (50%))

d=Degree of accuracy (5%), expressed as a proportion (.05); It is margin of error

Accordingly,

$$S = \frac{1.96^2 \times 7754 \times 0.5(1-0.5)}{0.05^2 (7754-1) + (1.96^2 \times 0.5(1-0.5))} = \frac{3.8416 \times 7754 \times 0.25}{(0.0025 \times 7753) + (3.8416 \times 0.25)} = \frac{7446.9416}{20.3429} = 366.07 \approx 366$$

To compensate for possible non-returns, 10 percent of 366 (36) is added; consequently, the final sample size is 402.

Table 2: Computation of the number of MSEs surveyed in each sub city under each sector

Sub city	The sector MSEs are engaged in				No. of MSEs surveyed
	Manufacturing	Construction	Service	Trade	
Yeka	197 x 0.18= 35	197x0.46=91	197x0.14=28	197x0.22=43	197
Bole	117x0.23= 27	117x0.43=50	117x0.16=19	117x0.18=21	117
Lideta	88x0.17=16	88x0.38=33	88x0.15=13	88x0.30=26	88
Total	78	174	60	90	402

Source: Computed by the researcher

After stratifying the MSEs in terms of their respective sector, the specified number of sample MSEs from each sector in the three sub-cities were selected by using simple random sampling. To facilitate this, a sample frame that contains the list of every MSEs in each sector in the corresponding sub city was used and those MSEs to be surveyed were chosen randomly.

In the course of conducting the study, both primary and secondary data were acquired from multiple sources. Primary data were collected from MSEs operators in the selected sub-cities of Addis Ababa and also from those officials who are working in areas that are directly related to the subject of interest. Questionnaire, key informant interviews (KKIs), observation and document analysis constitute the data collection techniques employed in the study.

Quantitative data analysis was made by using both descriptive and inferential statistics. Some of the descriptive statistics used in this study include mean and standard deviation. Besides, frequency distributions, percentages, tables, crosstabs, Kruskal Wallis H test—a non-parametric test of whether more than two independent groups differ (Field, 2018) were employed. This decision was informed by the suggestion of Pallant (2011) ^[32]. Who maintained that non-parametric techniques are ideal for use when we have data that are measured on nominal (categorical) and ordinal (ranked) scales. Since quantitative data were collected through 5 point Likert items which are ordinal, the use of Kruskal Wallis H test is justifiable. It was applied to test if there is statistically significant difference among the four sectors of MSEs in terms of their awareness of relevant policies, strategies and plans. To facilitate this, SPSS version 20 was

principally applied and the corresponding interpretation of the output was made. Qualitative data, on the other hand, is analyzed by applying thematic analysis. Document analysis, which is a form of qualitative research in which documents are interpreted by the researcher to give voice and meaning around an assessment topic (Bowen, 2009) ^[2], is also applied.

Results and Discussions

This section of the study attempted to assess whether the policies, strategies, and plans really contribute towards fostering MSEs and entrepreneurship as claimed in the policy and strategy documents or not. There are numerous support packages stated in the mentioned documents to be provided to help MSEs and entrepreneurship flourish. Therefore, exploring if the stated contributions or support packages are being actually enjoyed by the targeted beneficiaries or not is of paramount importance in realizing the envisioned development of MSEs and entrepreneurship. Doing so is believed to shed some light on the question “why the policies, strategies, and plans crafted so far could not bring the desired level of progress in MSEs and entrepreneurship?”

The output is produced by employing crosstabs and by running Kruskal Wallis H test to evaluate the implied null hypothesis “there is no statistically significant difference across the four MSEs sectors regarding the contributions of policies, strategies and plans”. The test was conducted with a confidence interval of 95% and a significance level (alpha) of.05. The null hypothesis is rejected if the p-value is less than.05 which indicates that there is

a statistically significant difference across the MSEs operators in the four sectors about the stated contributions and vice versa. There are seven items designated to constitute the contributions of policies, strategies, and plans to entrepreneurship development. Each of these items is measured on a 5 point Likert item ranging from 1 (strongly disagree) to 5 (strongly agree). The

four sectors of MSEs, on the other hand, are measured on a nominal scale as construction, manufacturing, trade, and service. With this setting, the survey result about the contributions of policies, strategies, and plans in spurring entrepreneurship development in the context of MSEs is presented on the following page.

Table 3: Statistical Output on Contributions of Policies, Strategies and Plans to Entrepreneurship Development in MSEs

Item	Sector	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total		Kruskal Wallis Test	
		N	%	N	%	N	%	N	%	N	%	N	%	Mean rank	KW values
1. The current policies... helped my enterprise get working premise	Construction	22	15.4	76	53.1	7	4.9	29	20.3	9	6.3	143	100	157.48	$\chi^2=8.397$ df=3 p=.038
	Manufacturing	13	18.6	25	35.7	2	2.9	17	24.3	13	18.6	70	100	182.74	
	Trade	9	11.4	36	45.6	2	2.5	28	35.4	4	5.1	79	100	177.95	
	Service	9	16.7	13	24.1	5	9.3	19	35.2	8	14.8	54	100	197.43	
	Total	53	15.3	150	43.4	16	4.6	93	26.9	34	9.8	346	100		
2. The current policies... helped my enterprise get initial capital	Construction	30	21.0	60	42.0	6	4.2	35	24.5	12	8.4	143	100	178.76	$\chi^2=6.809$ df=3 p=.078
	Manufacturing	10	14.3	33	47.1	3	4.3	18	25.7	6	8.6	70	100	188.31	
	Trade	19	24.1	31	39.2	8	10.1	18	22.8	3	3.8	79	100	169.63	
	Service	18	33.3	24	44.4	1	1.9	7	13.0	4	7.4	54	100	146.04	
	Total	77	22.3	148	42.8	18	5.2	78	22.5	25	7.2	346	100		
3. The current policies... helped my enterprise get raw materials & inputs	Construction	35	24.5	62	43.4	7	4.9	32	22.4	7	4.9	143	100	180.99	$\chi^2=2.449$ df=3 p=.485
	Manufacturing	20	28.6	28	40.0	1	1.4	18	25.7	3	4.3	70	100	176.21	
	Trade	22	27.8	41	51.9	4	5.1	9	11.4	3	3.8	79	100	161.47	
	Service	18	33.3	20	37.0	3	5.6	9	16.7	4	7.4	54	100	167.73	
	Total	95	27.5	151	43.6	15	4.3	68	19.7	17	4.9	346	100		
4. The current policies... helped my enterprise get market linkage	Construction	27	18.9	63	44.1	9	6.3	35	24.5	9	6.3	143	100	176.91	$\chi^2=3.929$ df=3 p=.269
	Manufacturing	10	14.3	32	45.7	2	2.9	21	30.0	5	7.1	70	100	188.28	
	Trade	17	21.5	41	51.9	1	1.3	17	21.5	3	3.8	79	100	160.83	
	Service	14	25.9	22	40.7	3	5.6	12	22.2	3	5.6	54	100	163.84	
	Total	68	19.7	158	45.7	15	4.3	85	24.6	20	5.8	346	100		
5. It is simple to establish new enterprises in Addis Ababa	Construction	21	14.7	76	53.1	9	6.3	32	22.4	5	3.5	143	100	181.19	$\chi^2=2.108$ df=3 p=.550
	Manufacturing	17	24.3	31	44.3	1	1.4	17	24.3	4	5.7	70	100	171.54	
	Trade	16	20.3	45	57.0	2	2.5	13	16.5	3	3.8	79	100	162.96	
	Service	11	20.4	27	50.0	3	5.6	11	20.4	2	3.7	54	100	171.09	
	Total	65	18.8	179	51.7	15	4.3	73	21.1	14	4.0	346	100		
6. The working environment in Addis Ababa is conducive	Construction	27	18.9	75	52.4	5	3.5	28	19.6	8	5.6	143	100	174.97	$\chi^2=2.017$ df=3 p=.569
	Manufacturing	11	15.7	38	54.3	0	0.0	14	20.1	7	10.0	70	100	184.01	
	Trade	15	19.0	48	60.8	1	1.3	13	16.5	2	2.5	79	100	162.99	
	Service	15	27.8	19	35.2	5	9.3	14	25.9	1	1.9	54	100	171.34	
	Total	68	19.7	180	52.0	11	3.2	69	19.9	18	5.2	346	100		
7. Relevant laws and proclamations are problem solving	Construction	23	16.1	74	51.7	8	5.6	31	21.7	7	4.9	143	100	174.82	$\chi^2=2.883$ df=3 p=.410
	Manufacturing	9	12.9	35	50.0	2	2.9	22	31.4	2	2.9	70	100	186.06	
	Trade	17	21.5	36	45.6	4	5.1	17	21.5	5	6.3	79	100	170.47	
	Service	12	22.2	28	51.9	2	3.7	11	20.4	1	1.9	54	100	158.17	
	Total	61	17.6	173	50.0	16	4.6	81	23.4	15	4.3	346	100		

Source: Computed by the Researcher

Regarding the *first item*, alleviating the hassles linked to working premises is one of the key priority areas emphasized in all the relevant policies, strategies and plans. To this end, it has been disclosed during the KII held with higher officials in Addis Ababa city MSEs development bureau that working premises development and management is one of the two key semi-autonomous agencies below the bureau head; the other agency is urban job creation and food security agency. This working premises development and management agency administers the construction and transfer of buildings and sheds where MSEs produce various products. The respondents were asked to rate the contributions of the policies, strategies, and plans in mitigating problems associated with getting working premises.

The results unveil that more than half of the respondents, 203 (58.7%) rated the contributions of current policies, strategies, and plans in helping them get working premises to be low. To this end, 53 (15.3%) and 150 (43.4%) selected “strongly disagree” and “disagree” respectively. This implies that the policies, strategies, and plans geared towards fostering entrepreneurship

development by alleviating the major problems MSEs face such as shortage of working premises, could not live up to the promises. The respondents who stated that the policies, strategies, and plans have facilitated getting working premises, on the other hand, amount to 127 (36.7%). The remaining ones, 16 (4.6%) are neutral. The higher officials who took part in the KII from institutions entrusted with the responsibility of facilitating the provision of working premises also acknowledged that the matter is one of the pressing problems and needs concerted efforts of all stakeholders. It was mentioned that though there is separate office handling shed administration issues, the area continued to be a source of corruption and maladministration. Of course, policymakers, development institutions and academics in many developing countries note that increasing the ease of doing business will require broad institutional and regulatory overhauls as well as extensive investment in infrastructure (Burton, 2020) [6].

The Kruskal Wallis test, nevertheless, shows that there is a statistically significant difference among the four sectors of

MSEs regarding the contributions of policies, strategies, and plans in facilitating access to working premises. This is given by $\chi^2(3) = 8.397, p=.038$ which is less than the critical value of .05. This leads to rejection of the null hypothesis which states that “there is no statistically significant difference across the four sectors of MSEs in rating the contribution of policies, strategies, and plans in facilitating access of MSEs to working premises”. The mean ranks for construction, manufacturing, trade, and service are found to be 157.48, 182.74, 177.95 and 197.43 respectively. The lowest mean rank is the group with the greatest number of lower scores in it while the highest mean rank is the group that has a greater number of high scores within it (Field, 2013, p. 247) [17]. Accordingly, the service sector has got the highest mean rank whereas the construction sector has got the lowest mean rank. This means that the contributions of policies, strategies, and plans in helping enterprises get working premises are higher in the service sector than the construction sector. This is an interesting finding that clearly divulges the reality on the ground. Service-oriented businesses can be run in relatively narrower working spaces, unlike manufacturing and construction businesses that need a wider working space. Thus, the MSEs development offices can relatively easily satisfy the need for working premises of MSEs involved in the service sector than the other ones.

Since the Kruskal Wallis test result indicates that there is a statistically significant difference among the MSEs operators in the four sectors on the contributions of policies, strategies, and plans in helping MSEs get access to working premises, it is deemed crucial to conduct post hoc test to identify where the difference exactly lies. This is informed by the assertion of Field (2013) [17] which states that if a statistically significant result is obtained for the Kruskal Wallis Test, there is a need to do some follow-up tests between pairs of groups to identify which of the groups are significantly different from one another. To this end, Dunn's test which is a non-parametric pairwise multiple comparisons procedure based on rank sums and often used as a post hoc procedure following the rejection of a Kruskal–Wallis test (Pallant, 2011) [32] is applied.

The result of the post hoc test is presented in figure 5.1 below. The mean ranks of the four sectors are given in the diagram at the top.

Moreover, the diagram highlights the differences between the sectors by using a different colored line to connect them (sector 1 and sector 4 are connected by a yellow colored line). All of the possible comparisons between the sectors are given in the table below the diagram.

From the values given in the table, one can infer that there is a statistically significant difference (Adj. Sig. [p] =.049) only between sector 1 (construction) and sector 4 (service) in rating the contribution of policies in helping them get working premises. The reason for using adjusted significance (Adj. Sig.) instead of just the Sig.

value is to keep the Type I error rate (α) at 5% as recommended by Pallant (2011, p. 209) [32]. As many tests are conducted on the same data, the error rate (α) becomes inflated—a problem referred to as familywise or experiment-wise error rate—and thus using the adjusted significance value is essential to correct it (Field, 2013, p. 74) [17].

The following output is generated by employing Pairwise Comparison.

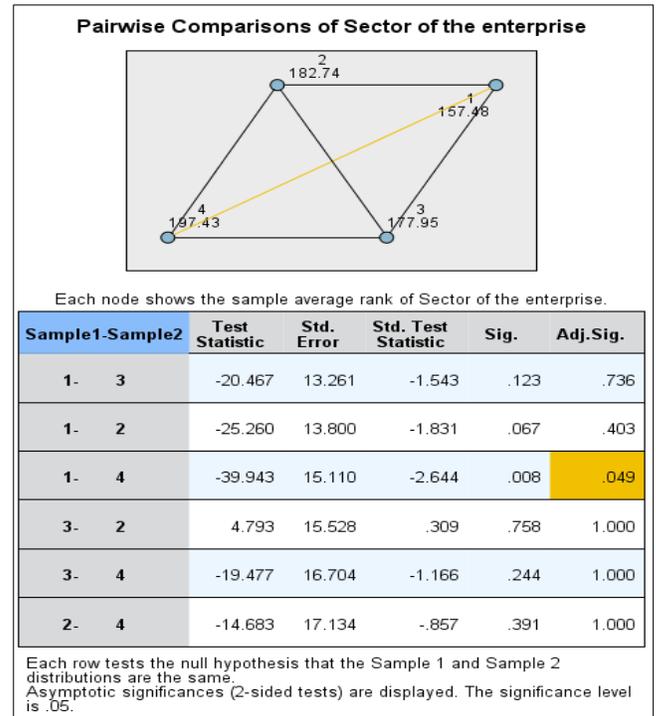


Fig 1: Post Hoc Test for the contributions of policies, strategies and plans among the 4 sectors of MSEs.

Getting initial capital (*item two*) is often mentioned as one of the major problems that hinder people from embarking on entrepreneurship specifically in MSEs. Likewise, Burton (2020) [6] contends that increasing attention is being paid to programs that offer more direct support by providing entrepreneurial inputs such as finance, networking assistance or training. Owing to their small size, these enterprises are often illegible for loans from formal financial institutions such as commercial banks. In light of this, a statement assessing the contributions of policies, strategies, and plans in facilitating the initial capital provision to MSEs was presented. The result of the survey indicates that nearly two-thirds, 225 (65%), of the respondents rated the stated contribution to be minimal by selecting strongly disagree and disagree. Thus, despite the promises stated in the policy documents to alleviate the problem of obtaining initial capital by MSEs, the problem still persists. Those respondents who rated the contribution of the policies, strategies, and plans in mitigating the problem of getting initial capital to be good amounts to only 103 (29.8%). This shows that the policies, strategies, and plans could not adequately solve the mentioned problem.

By employing Kruskal Wallis Test, it was also checked whether there is a statistically significant difference among the respondents from the four sectors of MSEs in rating the contributions of policies, strategies, and plans in alleviating the problem of getting initial capital by MSEs. To this end, the test revealed a statistically insignificant difference among the four sectors in rating the stated contribution which is given by $\chi^2(3) = 6.809, p=.078$. A look at the mean rank shows that the highest score to the stated contribution is given by respondents from the manufacturing sector whereas the least score is given by those from the service sector. The mean rank for the four sectors is given as 146.04, 169.63, 178.76 and 188.31 for service, trade, construction and manufacturing respectively. The fact that the

contributions of policies, strategies, and plans being rated to be the highest by respondents from the manufacturing sector can be associated with the special attention accorded to the sector by the government. As it has been emphasized in the KII, there is separate deputy head who is in charge of steering activities related to providing special support to the manufacturing sector which has been given utmost priority by the government owing to its potential of generating foreign currency, adding values, saving hard currency by producing products that substitute imported items and creating massive employment opportunities among others. Hence, the highest score given by the manufacturing sector respondents to the role of policies, strategies, and plans in mitigating the hassles MSEs are facing with respect to sales outlets is logically expected.

Getting raw materials (*item three*) and other inputs are often mentioned as some of the problems MSEs face. Accordingly, the respondents were asked to express their degree of agreement or disagreement with the statements the issues. With respect to the role of policies, strategies and plans in supporting MSEs to get raw materials and other necessary inputs, 95 (27.5%) and 151 (43.6%) of the respondents respectively stated that they “strongly disagree” and “disagree” to the statement “the current policies, strategies, and plans helped my enterprise obtain raw materials and other inputs”. These two response categories together constitute 246 (70.1%) of the total which is a very significant figure. This casts doubt on the contributions of the policies, strategy, and plans in truly helping MSEs get access to raw materials and other inputs; indeed, their contributions have been rated to be low in other aspects as discussed above. Among the remaining respondents, 68 (19.7%), 17 (4.9%) and 15 (4.3%) respectively stated that they agree, strongly agree and neutral to the above statement.

To see if there is a difference in rating the contributions of policies, strategies, and plans across respondents from the four sectors, a Kruskal Wallis H test has been run. The corresponding result shows that there is no statistically significant difference across the four sectors of MSEs in rating the contribution under consideration. The test result is given as $\chi^2(3) = 2.449, p = .485$. This leads to failure to reject the null hypothesis which states that “there is no statistically significant difference across the four sectors of MSEs in rating the contributions of policies, strategies, and plans in helping MSEs get raw materials and other inputs”. Though not statistically different, there is a small difference among the four sectors of MSEs in rating the stated contribution which can be comprehended by inspecting the mean rank for each of the sectors. The mean ranks, arranged in ascending order, are 161.47, 167.73, 176.21 and 180.99 for trade, service, manufacturing, and construction respectively. This unveils that respondents from the construction sector gave the highest overall ranking to the stated contributions whilst those from the trade sector gave the least.

Creating market linkages that enable MSEs to sell their goods and services is crucial given their limited capacity to undertake various marketing activities like promotion. With respect to this, it has been stressed that the city government arranges bazaars and trade exhibitions where MSEs can advertise and sell their products. The bazaars and trade exhibitions are mainly arranged at *Woreda*/district level though sub cities also arrange them occasionally. For the first time in history, a national trade exhibition and bazaar was arranged in Addis Ababa in December

2017. It is reported that this endeavor has opened the avenue for MSEs operators gathered from all parts of the country to get acquainted, share experience and build viable networks. The survey result shows that the policies, strategies, and plans are not adequately helping MSEs in promoting their products. This is evident as the majority, 212 (61.3%), of the respondents rated the role to be low, i.e., 62 (17.9%) and 150 (43.4%) of the respondents respectively selected “strongly disagree” and “disagree” to the statement.

There is a discrepancy between the findings from KII and survey. While the city’s MSEs development bureau states that it has created good opportunities for the MSEs to promote their outputs (the result of KII), the MSEs, in turn, refute the role of policies, strategies, and plans in adequately paving ways to promote their outputs (survey result). Triangulating the data collected through the two means is of immense importance to crosscheck the validity of responses. It can be presumed that there might be some degree of exaggeration in the responses obtained from the city’s MSEs development bureau due to political influence. In any case, there is a need to strengthen the efforts exerted in light of helping MSEs promote their products if there is a real need to achieve the aspirations stated in the relevant policies, strategies, and plans pertaining to the promotion of MSEs and entrepreneurship.

Creating market linkages and thereby assisting MSEs to sell their products is yet another support mechanism designed to spur the development of entrepreneurship in MSEs. It was emphasized during the KII that there are several techniques put in place to create market linkages for MSEs by the city’s MSEs development bureau. The major techniques employed, in this connection, include allowing MSEs to supply their outputs to big government-funded projects like the construction of condominium houses, allowing them to compete in various government purchases without being registered for value-added tax (VAT) and even earmarking some government purchase to be made only from MSEs. Nevertheless, the MSEs operators who responded pointed out that the alleged market linkage creation by the MSEs development bureaus is not satisfactory. To this end, 68 (19.7%) and 158 (45.7%) of the respondents respectively stated that they “strongly disagree” and “disagree” to the item that deals with the role of policies, strategies, and plans in creating market linkages. These two response categories account for almost two-thirds, 226 (65.3%), of the total which is quite a significant figure. Those respondents who rated the stated contribution to be good, on the other hand, are 105 (30.3%).

As evidenced by the Kruskal Wallis H test, there is a statistically insignificant difference across the four sectors of MSEs in rating the contribution of policies, strategies, and plans in creating market linkages for MSEs. The test result is $\chi^2(3) = 3.929, p = .269$ with mean rank of 160.83 for trade, 163.84 for service, 176.44 for construction and 188.28 for manufacturing. Similar to the items discussed previously, the contribution of policies, strategies, and plans in creating market linkages has been rated as the highest by respondents from the manufacturing sector. The consistency of respondents from the manufacturing sector in rating the contributions of policies, strategies, and plans in helping MSEs get various support schemes is a very interesting finding since it vividly reflects the special attention given by the government to the sector.

The support schemes designed to foster entrepreneurship in MSEs include, inter alia, simplifying the process of business

formation, making training accessible to the enterprises and making the overall working environment conducive. One of the measures taken in this regard is establishing one window service where a person who intends to form a new business can access almost all the offices involved in the facilitation or approval of business formation. The one window service is available in all districts/*Woredas* the researcher has visited during the data collection process. However, it was noticed that the districts vary in terms of how functional their one window service centers are in that some districts have the center but they are not fully functional. There are training centers like TVETs and EDC that impart training to the MSEs and various efforts are exerted to reduce the hassles and thereby make the working environment as conducive as possible.

The ease with which individuals can form new businesses is one of the key factors that encourage people to start new businesses. It is highlighted in the KII held with higher officials in MSEs development bureaus that the government strives to smooth new business formation specifically by removing daunting bureaucracies that had been deterring people from engaging in MSEs and thus exercise their entrepreneurial ingenuity. On the contrary to the assertions of higher officials, the survey result indicated that it is not simple to establish new enterprises in Addis Ababa. This is evident as more than two-thirds, 244 (70.5%), of the respondents, stated that it is difficult to form new enterprises. Only one-fourth of the respondents showed their agreement on the ease of forming new enterprises in Addis Ababa.

There is no statistically significant difference across the four sectors of MSEs in rating the simplicity of forming new enterprises in Addis Ababa. This is given by $\chi^2(3) = 2.108$, $p = .550$ with mean rank of 162.96, 171.09, 171.54 and 181.19 for trade, service, manufacturing and construction respectively. Unlike the case for the previous variables in which manufacturing sector respondents gave the highest score for the contribution of policies, steerings, and plans, here respondents from the construction sector gave the highest score. This discloses that, though statistically insignificant, forming enterprises in the construction business is relatively simple than the case for the rest three sectors. It has been boldly stated in the policies, strategies, and plans crafted in line with promoting entrepreneurship and MSEs that every endeavor shall be made to create MSEs friendly environment. The same issue has been emphasized in the KIIs conducted with people working in offices that are working to enhance the development of entrepreneurship and MSEs at different levels. However, 248 (71.7%) of the respondents stated that the working environment is not conducive for MSEs. There is an inconsistency between what the people in support giving offices claim and the perception of MSEs operators. Analogs to the result for ease of establishing new enterprises in Addis Ababa, the proportion of respondents who rated the working environment to be conducive is only 87 (25.1%). Though the current situation is not optimal, it is somewhat better when compared to previous studies such as Gebrehiwot and Wolday (2006)^[18] in which more than 95 % of the MSE operators surveyed indicated that they did not receive any support, whatsoever, to promote their activities. The result of the Kruskal Wallis H test showed that there is a statistically insignificant difference across the four sectors of MSEs in evaluating the contribution of policies, strategies, and plans in creating MSEs friendly environment. This can be understood from the test result, $\chi^2(3) = 2.017$, $p = .569$. The mean

rank also unveils that all the four sectors gave a somewhat comparable score to the importance of policies, strategies, and plans in creating MSEs friendly environment. This is evident as the mean ranks are 162.99, 171.34, 174.97 and 184.01 for trade, service, construction, and manufacturing respectively. Manufacturing sector respondents regarded the contribution of policies, strategies, and plans to be higher than the respondents from the other sectors. This can be attributed to the relatively better attention given to this sector by the government.

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