Contextual Influence of Entrepreneurship Determinants on MSE's Performance in Ethiopia, Horn of Africa

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ABSTRACT

This research article has examined the Contextual Influence of Entrepreneurship Determinants on MSE's Performance in Ethiopia. SME entrepreneurs working in West Guji Zone Bule Hora town, Ethiopia used as sample area for data collection. Purposive and stratified sampling was employed to select the respondents. Using a pre-tested survey questionnaire, a total of 208 entrepreneurs as respondents was retained. Correlation analysis and Spearman's rho regression was used for hypothetical testing. The research enclosed entrepreneurship as determinant on MSE's Performance. Through evocative statics it is manifested that motivation and self-drive, tolerance to work hard, creativity, flexibility and adaptability to new ideas were the main determinants that affects the performance of MSE's in the studied area. Inferential statics signified that, there is statistically significant contextual relation between exploratory variables on explained variables. This research has shifted the application of entrepreneurship determinants from developed countries to an emerging like Ethiopia. The research also provides some perceptive implications for business managers and researchers.

***Keywords**: Entrepreneurial Determinants, MSE Performance, Creativity, Motivation and Self-drive.*

1. Introduction

Small scale businesses play a pivot role in the development of an economy and serve as a means to sustain the business ecosystem (Ibrahim, Angelidis, & Parsa, 2008). Across the world, more than 98 percent of commercial activities fall under the nature of MSEs enterprise segment (Gebrehiwot A. and Wolday A.2006) and in the most emerging economies MSEs plays the cornerstone role to create new employment opportunities and generate ancillary fiscal wealth for businesses (Endalkachew, 2008). Pitiable performance of majority of state owed companies, globalization pressure, increasing need for competiveness and decreasing GDP shift the focus of Ethiopian government and policy makers to MSE's (Zewde & Associates, 2002; Hamilton and Fox, 1998). Regardless of the dissimilar endorsement attempts completed by the government, the segment was highly embarrassed by deprived productivity, pitiable presentation and sluggish expansion (Endalkachew, 2008). According to Fedahunsi (1997) most of the MSEs are survival driven; strive to secure the subsistence needs of an entrepreneur. Major challenge encountered by MSE's both at the startup and establishment phases are addressed with the help of determinants of entrepreneurship. There are previous research works conducted on MSE's, most of them was focused from the success, and growth point of view, and conducted several years ago hence there is a time and methodological gap observed due to the recently emergence of information and the progressive policies and strategies in the promotion of MSE's.

Therefore, this study was attempted to identify different determinants of entrepreneurship that influence the performance of MSE's in West Guji Zone; Bule Hora town.

2. Literature Review

2.1. Definition of MSEs

Kayanula and Quartey, (2000) reveled this problem that there is no acceptable definition is available of small enterprises, it various from one economies to other. Reason behind is the the criteria and ways of categorizing enterprises as micro and small differ from institution to institution and from country to country depending essentially on the country's level of development.

2.1.1. The Improved Definition of MSEs in Ethiopia

Under the Service sector (retailer, transport, hotel and Tourism and maintenance service) Small enterprises are defined as operates with 6-30 persons or/and total asset, or a paid up capital is with Birr 50,001 and not exceeding Birr 500,000.When ambiguity is encountered between manpower and total assets as explained above, total asset is taken as primary yardstick (MSEDS strategy, 2011).

Table 1: Federal Democratic Republic of Ethiopia MSE development strategy classification

Level of enterprises	Sector	Human Power	Total asset
Micro enterprises	Industry	<5	<100,000
	Service	<5	<500,000
Small enterprises I	Industry	6-30	<birr1.5 million
	Service	6-30	<birr 500,000

Source: MSEs Development strategy, 2021

2.1.1. The concepts of business performance

According to Martin (2010) performance is defined simply in terms of output terms such as quantified objectives or profitability. Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K.J., 2009). Global Entrepreneurship Monitor (GEM) defined Performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it (GEM, 2004). However, performance seems to be conceptualized, operationalized and measured in different ways thus, making cross-comparison is difficult (Srinivasan et al., 1994). Among the most frequently used operational are survival, growth in employees and profitability. A business enterprise could measure its performance using the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern small business has adopted a hybrid approach of using both the financial and nonfinancial measures (H Gin Chong, 2008).

2.2. Theoretical Review

The concept of SME's has been defined and used differently in different countries. This reveals the absence of one universally accepted definition of SME's. In most cases, SME's are defined based on the number of people employed in the enterprises, investment outlay, and annual sales turnover, paid up capital or a combination of these measures (Stephen &Wasiu, 2013).

SME's show that the promotion of SME's is one of the policy strategies for achieving national

development goals such as poverty alleviation, economic growth increasing People's participation in economic activities, employment creation and income generation (Raymond, 2009). People, especially in the developing parts of the world, establish and run SME's mainly to earn income and consequently bear up poverty, which can be explained in both income and non-income, based aspects. Although people's ultimate goal in undertaking any livelihood activity is to escape poverty by enhancing their status of wellbeing (Rigg, 2007).

2.2.1.1. Entrepreneurial factors

Mittal and Batra (2017) conduct a study on the entrepreneurship determinants that bearing on the growth of development in small scale industries in Punjab and Haryana and noted that with globalization, the small-range entrepreneurs are facing an intense competition.

3.1. Description of the Study Area

The study was carried out to identify the factors affecting the performance of MSE's in BuleHora town. BuleHora town is one of towns in West Guji zone of Oromia National Regional State of Ethiopia. The town has latitude and longitude of 5⁰35'N 38)15'E and an altitude of 1716 meters above sea level. BuleHora town is about 467 kilometer away from capital city Addis Ababa on boarder of Sudan. The total population of Bule Hora town was counted to be 166,696 (source: Bule Hora Municipality 2021).

3.1.1 Research Design

According to John (2007), in literature three research designs are widely discussed. These are exploratory, descriptive, explanatory research design. After comparing these three research designs and need assessment of present research, the researchers decided to employ the combination of descriptive and explanatory designs. The researcher prefers descriptive design to assess the information concerning the entrepreneurial determinants that have been affecting the performance of MSE's and, on the other hand, the study was employ explanatory research design to correlate the relationship between constructs with an aim of estimating the impact of the entrepreneurial determinants affecting the performance of MSE's.

3.2. The Research Approaches

For the achievement of this study objective, the researcher was employed mixed research approach. The intention is to draw conclusion about a research problem by comparing results, or corporate quantitative results with qualitative findings.

3.3. Population and Sampling Design

The target population of this research study is 423 registered MSE's within Bule Hora town (Bule Hora town Job opportunity creation and urban food security office, 2021). For this study the researcher adopted a survey based strategy. The study is basically targeted at entrepreneurs engaged in MSE's activities within in the Bule Hora town. The researcher used the mixed of probability and non-probability sampling techniques such as purposive sampling to select the five MSE's sector (construction, manufacturing, service, trade, and urban agriculture) from the total seven MSE's sectors (construction, manufacturing, mining, service, livestock production, trade, and urban agriculture) in Bule Hora (Bule Hora Town Job Creation and Food Security office, 2021) and in selecting the fourteen (14) interviewees. A sample of 208 was randomly selected on the bases of Yamane (1967) sample size determination formula, at 95 % confidence level and 0.05 interval of error. The formula below is used to determine the sample size.

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

$$n = \frac{436}{1 + 436\,(0.05)^2}$$

$$n = 208$$

Table 2: Summary of MSE's population and sample size taken

No	Key sectors	Population /Strata	Sample
1	Contraction	61	(61/436)*208 =29
2	Service	123	(123/436)*208 =59
3	Trade	134	(134/436)*208 =64
4	Urban Agriculture	46	(46/436)*208 = 22
5	Manufacturing	72	(72/436)*208 =34
	Total	436	208

Source: Bule Hora town Job opportunity creation and urban food security office, 2021 and own computation.

3.1. Data Type and Source

For this study Primary data was collected by researchers through administered schedule; which comprises close ended questions and semi structured interview. The semi-structured interview is used to get the reliable comparable qualitative data. The secondary data pertaining MSE's was collected from job opportunity and urban food security office documents and other sources such as books, articles, journals, research works, internet browsing, etc that have relevance with the research topic. In order to investigate the relationship between entrepreneurial determinants and performance of MSE's, semi-structured questionnaire was chosen as the suitable instrument for the collection of statistical data and for the empirical testing. The method of data collection was supported by close-ended questions. The data was obtained by administering semi-structured questionnaire to the SME's in Bule Hora town; which allowing easy comparison of factors affecting MSE's and their performance.

3.4.1 Validity and reliability of instrument

Out of 25 distributed questionnaires, 20 participants responded properly filled questionnaires. Its response rate was 97% and effective response rate of the study was also similar to the response rate is 97%. However, five respondents failed to return back their distributed questionnaire. As suggested by Sekaran (2000), incomplete responses are dealt and 75 percent criterion is used to consider the responses valid. Thus, according to a commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha stated by George and Mallery (2003), the alpha value for entrepreneurship determinants affecting the performance of MSE is above 0.70 (i.e. 0.97), is highly reliable, found on a high level of internal consistency. The internal consistency of the dependent variables i.e. performance of MSEs had alpha values of above 0.87 and both scales have achieved acceptable to good internal consistency.

3.4.2 Methods of data analysis and presentation

Descriptive analysis: Measure of central tendency and dispersion (mean and standard deviation). Microsoft Excel and Statistical Package for Social Science (SPSS) version 24 was used to analyze the data.

Table 3: Descriptive Statistics of Entrepreneurial factors that affect the performance of MSEs

Item	N	Mean	Std. Dev
Lack of motivation and self-drive.	196	4.2398	.85853
Lack of tolerance to work hard.	196	4.0714	.82586
Lack of readiness to learn, to improve and to change.	196	3.4184	1.22724
Lack of creativity, flexibility and adaptability to new ideas.	196	3.9745	1.01495
Lack of entrepreneurship training.	196	3.4031	1.20928
Lack of information to exploit business opportunities.	196	2.7143	.91147
Lack of persistence and courage to take responsibility for one's failure.	196	2.6786	.85560
Absence of initiative to assess one's strengths and weakness.	196	3.3980	1.17879
Lack of planning and reporting training.	196	2.4286	.93918
Lack of customer service training.	196	2.4898	.90859
Valid N (list wise) Grand mean/ standard deviation	196	3.3	.99

Source: Survey Results, 2021

As it is indicated in table 3 above, the mean and standard deviation for the Entrepreneurial factor related issues were calculated. Indicated that Lack of motivation and self-drive, Lack of tolerance to work hard, and Lack of creativity, flexibility and adaptability to new ideas was the main factor that affects the performance of all MSE's. The mean scores of4.24, 4.07 and3.97with standard deviation of 0.85, 0.82, and 1.01 respectively. This all the three items of the above highly affected performance of all MSE's.

According to table 3 above, indicates that the Lack of readiness to learn, to improve and to change, Lack of entrepreneurship training and Absence of initiative to assess one's strengths and weakness was the medium factor that affects the performance of all MSE's. The

calculated mean score of 3.42, 3.40, and 3.4 with standard deviation of1.22, 1.20, and 1.17 respectively. These all three items of the above relatively moderate affected performance of all MSE's.

4.2 The Relationship between Entrepreneurial Factor and the Performance of MSE

4.2.1. Multiple Regression Analysis: Determination of the Model goodness of fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.784[a]	.615	.605	.54907
a. Predictors: (Constant), entrepreneurial factors.				

Source: Survey Results, 2021

The result shows that the model tested is significant (p<0.05). R square = 0.615 indicates 61.5 percent of the variance in MSE's performance is attributed to the five independent variables entered into the regression.

Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	91.661	5	18.332	60.809	.000[b]
Total	Residual 57.280 148.941	190 195	.301		
a. Dependent Variable: Performance of MSE's					
a. Predictors: (Constant), entrepreneurial factors, infrastructural factors, legal factor, financial factors, technological factors.					

Source: Survey 2021

The above table above indicates that, there is statistically significant effect between independent variables (entrepreneurial factors, infrastructural factors, legal factor, financial factors, technological factors and dependent variable (performance of MSE's). Were F- value was (60.809) at á =0.05 level of significance and this value F indicate that there is statistically significant effect of independent variables on the dependent variable (performance of MSE's).

4.2.2.1 Determination of Coefficients

Table 5 : Coefficient of MSE's performance determinants

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
(Constant)	1.139	.265		.000
Legal factor	.382	.097	.381	.000
Technological Factors	-.315	.148	-.297	.034
Infrastructural Factors	-.248	.120	-.115	.040
Financial Factors	.496	.112	.527	.000
Entrepreneurial factors	.494	.081	.354	.000
a. Dependent Variable: Performance of MSE's				

Source survey data, 2021

The result of multiple regression analysis of the table 5 above clearly indicates that in Bule Hora town entrepreneurial factors has significant influence on Performance of MSE (p<0.05). Besides, the value of beta in Bule Hora town's MSE (â= .494) which shows that the positive influence of entrepreneurial factors on performance of MSE. This implies that in Bule Hora town, for every unit change on entrepreneurial factors increase performance of MSE's by0.494 or 49.4 percent. Thus, the above proposed alternative hypothesis is accepted while null hypothesis is rejected. The above result is supported by HLCLEP (2006) who was asserted that, there is lack of entrepreneurial and managerial skills, which in turn leads to problems in production due to the unfamiliarity of workers with rapid changing technology, lack of coordination of production process and inability to troubleshoot failures on machinery and/or equipment's is a critical problem that micro and small enterprises are facing since they cannot afford to employ specialists in the fields of planning, finance and administration, quality control and those with technical knowledge.

Conclusion

To sum up, the above multiple regression analysis tables clearly indicates that, there is statistically significant effect between independent variables (legal factor, infrastructural factors, financial factors, technological factor, and entrepreneurial factor and dependent variable (performance of MSE's) at á =0.05 level of significance. The table (4.18) demonstrates that the independent variable: - the above determinant factors (internal and external) have a positive and significant influence on the MSE's in Bule Hora town. Thus, all the above proposed alternative hypotheses are accepted while all proposed null hypothesis are rejected.

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