WOMEN'S PARTICIPATION IN MICRO AND SMALL ENTERPRISES:
THE CASE OF ADDIS ABABA

by

Rahel Woldegebriel Gebrehiwot

Submitted in accordance with the requirements
For the degree of
MASTER OF ARTS
In the subject
DEVELOPMENT STUDIES
At the
UNIVERSITY OF SOUTH AFRICA

Supervisor Dr. Rakolojane Moipone

January 2020
DECLARATION

Name: Rahel Woldgebriel Gebrehiwot

Student No: 4328-321-7

Degree: MA Development Studies

I declare that WOMEN PARTICIPATION IN MICRO AND SMALL ENTERPRISES IN ADDIS ABABA is my work and that all sources I have used or quoted have been confirmed and accepted using full references and that this work has not previously been sent to any other institution for any other degree.

Signature: Date: January 2020
ACKNOWLEDGEMENTS

In the name of God. It is with the deepest sense of gratitude to the Almighty that it gave me the strength and ability to complete this thesis successfully.

First, I would like to thank my supervisor Dr. Rakolojane Moipone, University of South Africa Department of Development Studies, for her critique, encouragement, guidance, and valuable advice to complete this thesis.

I am indebted to all my colleagues, (UNISA, Ethiopia) and my friend, Mr. Apollo, who supported me. I am thankful for their comments and encouragement, but also for the solid questions which encouraged me to widen my research from various viewpoints.

My deep thanks also goes to my brother-in-law, Mr. Abraham Banksera (Federal Micro and Small Enterprise Agency Employer) who made available all the necessary data from the Federal Micro and Small Enterprise Agency and facilitated the interviews for all the key informants and for sharing his experience with me.

Finally, I must express my profound thankfulness to all my family, particularly my mother and my husband, Mr. Yoseph Petros for giving me constant support throughout my years of study and through the process of researching and writing this thesis. Without continuous support, this study would not have been completed.

Thank you.
ABSTRACT

This study aimed to investigate factors affecting the participation of women-owned MSEs in the manufacturing sector in two selected sub-cities of Addis Ababa, namely, Kolfe Keranio and Nefas Silk Lafto sub-cities and to explore and gain a deeper understanding of the lived experiences and participation of women who own MSEs in the manufacturing sector as well as government entities that support these MSEs. The study adopted a qualitative, exploratory research approach. Semi-structured in-depth interviews were conducted to collect data from women who participated in the manufacturing sector, government officials, MSEs experts in the sub-cities and gender office professionals who worked closely with women’s MSEs in the manufacturing sector. Besides, direct observation was used to get firsthand information concerning the nature of women-owned MSEs and their working environments such as limited working space, lack of warehouses, and physical constraints relating to the use of stairs in storeyed buildings, among others. Document review and secondary data were used to triangulate the results from the interviews and obtain quantifiable data that could be used to clarify certain issues in the study. The data were analyzed using thematic data analysis to identify how the theme related to the research objectives. The researcher used a table to visualize the coded themes to determine which was the major problem, support, and characteristics of women-owned MSEs.

The study revealed that women have limited education levels and skills. It is thus difficult for women who own MSEs to exploit advantages or opportunities to expand their business. The findings also reported the inability to access finance for MSEs start-ups and expansion. Women generally lacked information regarding various aspects of MSEs during the establishment of their businesses. Women-owned MSEs have received some support, particularly from government agencies. However, the support they are currently receiving is inadequate to enable them to transform their business. Women-owned MSEs still face problems on many fronts including workspace, limited finance, outdated technology, poor marketing strategies were among others that need addressing. To develop women-owned MSEs and empower other women in the field, the government, the public sector, and formal financial institutes should be informed on the value of gender-balanced contribution in the informal sector enterprises. It is recommended that there should be a greater focus on the social and economic empowerment of women, as they constitute a vulnerable social category that is critical in development endeavors.
Key Words: Growth, enterprises, micro-enterprise, participation, small enterprise, women’s enterprises, women participation

TABLE OF CONTENTS

DECLARATION ........................................................................................................................................i
ACKNOWLEDGEMENTS .......................................................................................................................ii
ABSTRACT ................................................................................................................................................iii
LIST OF FIGURES ......................................................................................................................................viii
LIST OF TABLES ........................................................................................................................................viii
ACRONYMS AND ABBREVIATIONS .........................................................................................................ix

CHAPTER 1: INTRODUCTION ................................................................................................................1
1.1 BACKGROUND OF THE STUDY .......................................................................................................1
1.2 STATEMENT OF THE PROBLEM .....................................................................................................1
1.3 RESEARCH QUESTIONS....................................................................................................................4
1.4 RESEARCH OBJECTIVES ................................................................................................................2
1.5 RATIONALE/SIGNIFICANCE OF THE STUDY ..............................................................................4
1.6 LIMITATION AND SCOPE OF THE STUDY ..................................................................................5
1.7 LITERATURE REVIEW ....................................................................................................................5
1.8 RESEARCH DESIGN AND METHODOLOGY ..................................................................................6
  1.8.1 Research Population ................................................................................................................7
  1.8.2 Sample Design ..........................................................................................................................7
  1.8.3 Data Collection and Analysis ....................................................................................................7
  1.8.4 Data Analysis ............................................................................................................................8
1.9 CLARIFICATION OF KEY-TERMS ...............................................................................................8
1.10 CHAPTER LAYOUT .......................................................................................................................9

CHAPTER 2: LITERATURE REVIEW ....................................................................................................11
2.1 INTRODUCTION ..............................................................................................................................11
2.2 GLOBAL PERSPECTIVES ON WOMEN ECONOMIC STRATEGIES ...........................................12
2.3 WOMEN’S SOCIO-ECONOMIC STATUS ....................................................................................13
2.4 THEORIES ........................................................................................................................................13
  2.4.1 Institutional Theory ...................................................................................................................13
  2.4.2 The Nexus between Women Micro and Small Enterprise Development and the Three Main
        Pillars of Institutional Theory .......................................................................................................15
  2.4.2.1 Regulatory factors ................................................................................................................15
  2.4.2.2 Financial regulation ..............................................................................................................16
  2.4.2.3 Normative factors ................................................................................................................17
  2.4.3 Cognitive Institutional Theory ................................................................................................18
  2.4.4 Women in Development (WID) ..................................................................................................19
  2.4.5 Women and Development (WAD) ............................................................................................19
  2.4.6 Women Empowerment ...........................................................................................................20
2.5 ECONOMIC EMPOWERMENT OF WOMEN .............................................................................21
2.6 EMPIRICAL LITERATURE ..............................................................................................................22
  2.6.1 The Concept of Micro and Small Enterprises ........................................................................22
6.4 POLICY IMPLICATIONS AND RECOMMENDATIONS .......................................................... 103
6.5 RECOMMENDATIONS FOR FURTHER STUDY ......................................................... 106

REFERENCES .......................................................................................................................... 107

ANNEXURES ............................................................................................................................ 118
ANNEXURE 1: UNISA ETHICAL CLEARANCE ...................................................................... 118
ANNEXURE 2: INFORMED CONSENT .................................................................................. 119
ANNEXURE 3: IN-DEPTH INTERVIEW GUIDE FOR WOMEN-OWNED MSES ..................... 120
ANNEXURE 4: SEMI-STRUCTURED INTERVIEW GUIDE WITH THE DIRECTOR OF THE FEDERAL MICRO AND SMALL ENTERPRISE AGENCY ............................................. 123
ANNEXURE 5: SEMI-STRUCTURED INTERVIEW GUIDE WITH THE FEDERAL MICRO AND SMALL ENTERPRISE AGENCY GENDER OFFICE/EXPERT ................................. 125
LIST OF FIGURES

Figure 2.2: Theoretical framework of the research ................................................................. 15
Figure 2.1: Employment creation by SMEs .................................................................................. 25
Figure 3.1: Location of Kolfe Keranio and Nefas Silk Lafto sub-cities in Addis Ababa ................. 49
Figure 4.1: Research design ......................................................................................................... 57
Figure 5.1: Congested working environment .............................................................................. 93
Figure 5.2: Lack of storage space ............................................................................................... 94
Figure 5.3: Typical MSE buildings .............................................................................................. 94

LIST OF TABLES

Table 2.1: The classification of small and micro-enterprises ....................................................... 22
Table 2.2: World Bank criteria for defining SMEs ........................................................................ 23
Table 3.1: Components of MSE definition .................................................................................. 42
Table 3.2: Number of women’s MSEs in Addis Ababa ............................................................... 47
Table 4.1: Type and number of women-owned MSEs that participated in interviews ................. 52
Table 4.2: Sectors from which government respondents were drawn ......................................... 54
Table 4.3: Information expected from target groups .................................................................. 59
Table 5.1: Type of women-owned MSEs and their location ....................................................... 67
Table 5.2: Initial capital of women-owned MSEs ........................................................................ 70
Table 5.3: Number of Dependants ............................................................................................ 71
Table 5.4: Source of information about MSEs start-ups ............................................................. 73
Table 5.5: Manpower .................................................................................................................. 74
Table 5.6: Number of MSEs that closed down between 2005 and 2016 ..................................... 75
Table 5.7: Number of employees during establishment and currently by gender ......................... 75
Table 5.8: Knowledge of entry and exit procedures ................................................................... 76
Table 5.9: Source of capital to establish MSEs .......................................................................... 77
Table 5.10: Knowledge about MSEs’ expansion possibilities ..................................................... 77
Table 5.11: Growth of MSEs in Addis Ababa ............................................................................ 78
Table 5.12: Knowledge about MSEs anticipated problems ......................................................... 79
Table 5.13: Nature of job creation by MSEs in Addis Ababa ...................................................... 83
Table 5.14: Employment, capital, skills gained and benefits ....................................................... 86
Table 5.15: Women support ....................................................................................................... 90
Table 5.16: Type of technology, access to information and MSE support .................................... 92
Table 5.17: Government support to MSEs .................................................................................. 92
# ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAMSE</td>
<td>Addis Ababa Micro and Small Enterprise</td>
</tr>
<tr>
<td>AAMSEA</td>
<td>Addis Ababa Micro and Small Enterprise Agency</td>
</tr>
<tr>
<td>AAMSED</td>
<td>Addis Ababa Micro and Small Enterprise Development</td>
</tr>
<tr>
<td>CBE</td>
<td>Commercial Bank of Ethiopia</td>
</tr>
<tr>
<td>CSA</td>
<td>Central Statistics Authority</td>
</tr>
<tr>
<td>EDRI</td>
<td>Ethiopian Development Research Institute</td>
</tr>
<tr>
<td>EEA</td>
<td>Ethiopian Economic Association</td>
</tr>
<tr>
<td>ETB</td>
<td>Ethiopian Birr</td>
</tr>
<tr>
<td>FeMSED</td>
<td>Federal Micro and Small Enterprise Director</td>
</tr>
<tr>
<td>FDRE</td>
<td>Federal Democratic Republic of Ethiopia</td>
</tr>
<tr>
<td>FeMSEDA</td>
<td>Federal Micro and Small Enterprise Development Agency</td>
</tr>
<tr>
<td>FRMSEDA</td>
<td>Federal and Regional Micro and Small Enterprises Development Agencies</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoE</td>
<td>Government of Ethiopia</td>
</tr>
<tr>
<td>GTP</td>
<td>Growth of Transformation Plan</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labor Organization</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>LED</td>
<td>Local economic development</td>
</tr>
<tr>
<td>LME</td>
<td>Large and medium enterprise</td>
</tr>
<tr>
<td>MFI</td>
<td>Micro Finance Institutions</td>
</tr>
<tr>
<td>MoFED</td>
<td>Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>MSE</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>MSEDB</td>
<td>Micro and Small Enterprises Development Bureau</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organisation</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprises</td>
</tr>
<tr>
<td>TVET</td>
<td>Technical and Vocational Education Training</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>UNDAF</td>
<td>United Nation Development Assistance Framework</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nation Development Programme</td>
</tr>
<tr>
<td>UNECE</td>
<td>United Nations Economic Commission for Europe</td>
</tr>
<tr>
<td>UNISA</td>
<td>University of South Africa</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>WAD</td>
<td>Women and Development</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WEDP</td>
<td>Women Entrepreneurship Development Programme</td>
</tr>
<tr>
<td>WID</td>
<td>Women in Development</td>
</tr>
</tbody>
</table>
CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The participation of women entrepreneurs in developing countries plays a dynamic role in women's economic empowerment. Women can contribute to poverty alleviation by participating in Micro and Small Enterprises (MSEs) (Shah, H., Saurabh, P. 2015). However, MSE strategies in developing countries are implemented without prior analysis of women’s requirements to fully engage in MSEs. This implies women entrepreneurs are limited. According to Kardos (2012), MSEs are an innovative and driving force for achieving sustainable development. It is important to note that governments in developing countries encourage women’s participation in MSEs by addressing the present and future challenges of MSEs.

In Ethiopia, the issue of women’s participation in MSEs has been identified as an area to promote women empowerment. To this end, the Ethiopian government has committed to supporting women’s development initiatives. Accordingly, the Ethiopian government formed the Federal Micro and Small Enterprises Development Agency (FeMSEDA) Strategy in 1997. The strategy was once initiated as part of sustainable improvement and creation of jobs for susceptible groups, especially women (Mulu, 2007).

To address the development needs of women in MSEs, the government outlined the critical elements in its definition of MSEs. Micro-enterprises are business organizations discovered in all sectors of the Ethiopian financial system with a paid-up capital more than Ethiopian Birr (ETB) 20 000 (United States Dollars [USD] 2 500). However, the definition ignores high-level-machinery consultancy firms and other high-technology enterprises. Small Enterprises are business enterprises with a paid-up capital of more than ETB 20 000 (USD 2 500) However not more than ETB 50 000 (USD 6 250) (FeMSEDA, 1997).

The report of FeMSEDA (2011) explains that the new revised working definition of 2011 MSEs in Ethiopia is a bit different from the 1997 definition. A microenterprise is an enterprise is one which employs up to five people including the owner and has total assets not exceeding ETB 100 000 (USD5 000) in the manufacturing sector. For activities in the service sector (retail, transport, hotels, tourism, ICT, and maintenance) the total assets do not exceed ETB 50 000 (USD 2 500).
Small enterprises in the manufacturing sector have 6–30 employees with total assets not exceeding ETB 1.5 million (USD 75 000). Similarly, in the service sector, the total assets do not exceed ETB 500 000 (USD 25 000) (FeMSEDA, 2015a).

The new definition provides greater access for women’s participation in the MSE Programme. The Ethiopian Central Statistical Agency [CSA] (2004) report shows that about 50% of all new jobs created in Ethiopia are attributable to micro and small business enterprises, and about 49% of new businesses that were running between 1991 and 2003 were owned by women. Even though the MSE sector in Ethiopia provides a livelihood for up to 49% of all employed women in Ethiopia, the strategic support it receives from the national government has been minimal (Abegaz, 2004). The sector may not address the unemployment problem unless the targeted initiatives are put into place to help them transform into viable companies that can employ more people and contribute more meaningfully to the sustainable development of the country.

MSE strategies need to integrate mechanisms that support women entrepreneurs to break barriers to their participation. Therefore, the study seeks to investigate women’s participation in MSEs in general and in the manufacturing sector specifically in Kolfe Keranio and Nefas Silk Lafto sub-cities of Addis Ababa in Ethiopia.

1.2 STATEMENT OF THE PROBLEM

Currently, women's contribution to the global economy is not fully recognized and represents a missed opportunity for economic change (World Bank, 2011). Unemployment among women in developing countries have been embraced as areas of concern by many countries, Ethiopia being no exception. The importance of Micro and Small Enterprises (MSEs) in socio-economic development as a means for generating sustainable employment and income is more and more recognized. Women entrepreneurs in MSEs act as engines of growth in developing countries and provide women with economic gains and decreasing unemployment (World Bank 2006). The World Bank (2005) report asserts that women owned MSEs could be effective tools for economic growth. This can only happen when women fully participate in MSEs. Kibas (2006) noted that the absence of women's participation in economic development means women enterprises will remain small with little or no growth.
Ethiopia experiences a much higher women unemployment rate than their male counterparts (Ministry of Finance and Economic Development [MoFED] and the United Nations Country Team, 2004). According to 2014, the United Nations report indicates that numerous positive measures are being taken by the Ethiopian government to stimulate economic growth and to reduce women's unemployment. One of the positive measures was the establishment of the Federal Micro and Small Enterprise Development Agency (FeMSEDA) in 1997 to empower women by facilitating conditions to have access to resources and to participate in economic activities.

In many developing countries, like Ethiopia MSE strategies concentrate on mobilizing women with small loans without necessarily taking a holistic initiative to understand factors that constrain these enterprises. As (Aninago.J 2015) indicates that countries which have not to address problem-related to women MSEs are behind on significant economic growth. According to Andualem (2003), the Ethiopian Economic Association (2004) and Misango and Ongiti (2013), women-owned MSEs contribute significantly to the countrywide economy in terms of job creation and alleviation of poverty but are provided with little or no policy-related support from the Ethiopian Ministry of Trade and Industry.

The challenge is that there are large numbers of women who would like to start such business ventures but may have limited or no opportunities to do so. However, the participation of women over the past decades has been minimal (Wudneh, 2005). Bekele and Zeleke (2008) found that the Ethiopian MSEs are largely constrained by various structural and institutional problems. These include lack of start-up capital and smooth supply of raw materials, and strict work permits. Thus, the above constraints hinder the expansion and participation of women owned MSEs. The FeMSEDA 2015a report shows a decline in job creation by MSEs from 2005 to 2010 by 39.9%. This implies that the limited participation of women in economic development results high unemployment rate among women. Therefore, the issue of women's participation in MSEs should be re-examined.

The growth of female-owned enterprises can be a key driver in reducing overall high unemployment rates since unemployment rates among women are higher and women are more likely to hire other women. MSE programs in Ethiopia have been in existence for more than 18 years but the participation of women is below expectation. Even if there are tens of thousands of MSEs in the country, it is expected that by now these enterprises should have increased the
participation of women and should have transformed into viable business ventures that can employ more people and use modern technology towards the attainment of unemployment. As world bank report 2015 state that, opportunities for women entrepreneurs in Ethiopia lag far behind those of men. Besides, the Women’s Economic Opportunity Index shows that Ethiopia occupies the 107th rank out of 112 countries

Thus, the current study explores the participation of women in MSEs in Ethiopia and Mechanism to support women owned MSEs with specific reference to the selected area of Addis Ababa.

1.3 RESEARCH OBJECTIVES

The main objectives of this research are to:

1. Examine the nature of women’s MSEs in the manufacturing sector in Kolfe Keranio and Nefas silk Lafto sub-cities of Addis Ababa.
2. Examine the support women owned MSEs in the manufacturing are receiving from the government and other organizations.
3. Explore the problems contributing to the fact that there is a limited expansion of women owned MSEs in manufacturing sectors.

1.4 RESEARCH QUESTIONS

The aim of this study is to investigate the factors that affect the participation of women in MSEs in the manufacturing sector in two sub-cities of Addis Ababa, namely, Kolfe Keranio and Nefas Silk Lafto. In order to address the problem, the researcher raises the following overarching research question.

What are the factors affecting women-owned MSEs in Ethiopia, particularly in the manufacturing sectors?

This question can be further divided into two sub-questions

1. What are the nature of women’s MSEs in the manufacturing sector in Kolfe Keranio and Nefas silk Lafto sub-cities of Addis Ababa?
2. What mechanisms are in place to support women’s MSEs in the manufacturing sectors and facing problems?
1.5 RATIONALE/SIGNIFICANCE OF THE STUDY

Micro and Small Enterprises are a bridge to sustainable development. Raniya S,(2018). Effective MSEs have the potential to empower women and make them fully participate in the country’s economic development. (Arul & Packirisamy 2015). That is why women’s poverty alleviation initiatives in developing countries are focusing mainly on MSEs. Barriers to entry and analysis of women-owned MSEs risks have not been given much attention. In many developing countries in the Middle East and Africa, MSEs have not delivered the envisaged benefits. The research will awaken scholars and governments in developing countries to rethink and embark on MSE strategies that are founded on a comprehensive analysis of growth and capacities of women owned enterprises.

Addis Ababa is the diplomatic capital of Africa and the capital city of Ethiopia. It is an administrative, commercial, and industrial hub. The combination of these factors has triggered a mass influx of people from all corners of the country (Mulatu W 2013). This has greatly changed the economic landscape where women increasingly find it difficult to survive economically. To address this increasing need, women have opted to take advantage of the MSE Programmes, but this has happened without prior preparation to prevent the potential risks facing women-owned MSEs. The study is expected to inform policymakers about the challenges of women’s participation in MSEs. It is expected that this will bring about a new approach to MSE strategies that holistically address women’s concerns.

1.6 LIMITATION AND SCOPE OF THE STUDY

As every study has a set of limitations, this study also has some limitations. The study focuses on women-owned MSEs in the manufacturing sector of Kolfe Kerano and Nefas Silk Lafto sub-cities. These cover a wide area of the city. In both sub-cities, the population of women is greater than that of men. The researcher selected women participating in the manufacturing sector: textiles and garments, leather products, food processing and beverages, these sectors were selected because more women are involved in these industries than other sectors. Lack of updated information regarding women-owned MSEs was one of the limitations of the research. Time and money were other constraints for this research.
1.7 LITERATURE REVIEW

MSEs are high on the developmental agenda of many governments and are used to reduce unemployment. In this regard, Dalborg (2011) and Wolfenson (2007) indicate that MSEs are a fundamental part of the economic fabric in developing countries and that they play a crucial role in furthering growth and innovation. MSEs are considered to be one of the principal driving forces in economic development. Similarly, Haltiwanger et al. (2010, as cited in Hundera, 2014:76) indicate that enhancing employment, income opportunities, and addressing poverty require promoting entrepreneurship. This must be reflected in policy as a key ingredient. The importance of MSEs has been recognised worldwide as a booster of the economy and creating job opportunities contributes to the eradication of poverty and achieving sustainable development of countries. MSEs are the best alternative for creating jobs. Numerous sub-Saharan African countries regard MSEs as a major way to reduce poverty particularly among urban dwellers (Gebreeyesus, 2009).

The Ethiopian government prioritised the establishment of MSEs in 1997 by establishing the Federal Micro and Small Enterprise Development Agency (FeMSEDA). It was restructured according to the rule and regulation of the Council of Ministers 33/1998 (FeMSEDA, 2015b). The main objective of the establishment of FeMSEDA is the creation of job opportunities to bring about equitable development, improve the income of people, and reduce poverty. Besides the establishment of FeMSEDA, according to Berihu, Abebaw, and Biruk (2014), Ethiopia has launched different initiatives and development plans, one of which is the Growth and Transformation Plan (GTP). The GTP is the first development plan of the country in a series of three five-year plans. The objective of this plan is to ensure broad-based economic growth with an emphasis on the development of MSEs (Asgedom, 2014). The GTP sets quantitative targets for MSEs in Ethiopia namely: (i) creating three million jobs through MSEs; (ii) training of trainers for 10,000 professionals in the MSE sub-sector (iii) technical, vocational, and entrepreneurial training for 3 million operators; and developing and providing 15,000 hectares of land by constructing shaded cover and buildings for new and expanding MSEs (MoFED, 2011).

The Government of Ethiopia (GoE) regards MSEs as tools to empower women and create jobs but the participation of women-owned MSEs is still very low compared to men, and women entrepreneurs find it almost impossible to grow their businesses into medium or large enterprises (ILO, 2011). According to Andualem (2003), the Ethiopian Economic Association (2004) and
Misango and Ongiti (2013), women-owned MSEs contribute significantly to the countrywide economy in terms of job creation and alleviation of poverty but are provided with little or no policy-related support from the Ethiopian Ministry of Trade and Industry. This threatens the existence of MSEs and limits their chances to transform into viable enterprises that can meet the sustainable development goals of the GTP. According to Kardos (2012), MSEs are innovative and driving forces to be considered in achieving sustainable development. Therefore, governments in developed and developing countries need to intervene in MSEs’ innovation initiatives and activities, responding to the present and future challenges of women-owned MSEs.

1.8 RESEARCH DESIGN AND METHODOLOGY

To understand the participation of women-owned MSEs, the research was conducted in women-owned MSEs in selected areas of Addis Ababa (Kolfe Kerano and Nefas silk Lafto Sub-Cities). The researcher adopted the qualitative research approach. According to Creswell (2009), qualitative research is a means of exploring and understanding the meaning that individuals or groups ascribe to social or human problems. This method also allowed the researcher to do a more detailed investigation of women’s participation in MSEs. Based on the purpose of the research and research questions, the researcher took advantage of the flexibility, in-depth assessment, and the ability to observe a variety of aspects of a social condition afforded by the qualitative approach (Babbie & Benaquisto, 2010). Data were collected from both primary and secondary sources. The study was mainly field-based. This means primary data were the main source of information in conducting the study. However, secondary data from various documents were used to supplement the primary data.

1.8.1 Research Sites

Neuman (2006) defines a population as a large pool of cases or elements from which the sample is drawn. The target sites of this research were two selected sub-cities out of ten sub-cities in Addis Ababa; Kolfe Kerano and Nefas silk Lafto Sub-city.

1.8.2 Sample Design

The target population of this research was the women who owned MSEs in the manufacturing sector and the sub-city officials working with women-owned MSEs, FeMSEDA staff, and officials who are working closely with women-owned MSEs. To select women-owned MSEs from the two
sub-cities according to different types of operations, the researcher used non-probability purposive sampling. Most qualitative studies use non-probability samples because the focus is on getting in-depth information from participants.

To select the most appropriate participants from government and non-governmental organizations, the researcher also used purposive sampling. These individuals were more informed about women-owned MSEs as they deal with these matters on a daily basis.

1.8.3 Data Collection and Analysis

Both primary and secondary data were collected.

- Primary data were collected from participants using in-depth and semi-structured interviews because they use open-ended questions, facilitate the interaction between the interviewers, and allow for the clarification of issues.

- Document review: The researcher reviewed approved official government documents and non-governmental official documents. To explore women's participation in MSEs the researcher used an extensive review of the existing literature and reports from FeMSEDA, MoFED, CSA, Micro and Small Enterprise Development Agency (AMSEDA), United Nations Development Programme (UNDP), World Bank (WB), International Monetary Fund (IMF), Commercial Bank of Ethiopia (CBE), and the Ethiopian Economic Association (EEA). The researcher also used different Ethiopian government policies and reports on strategy implementation concerning women-owned MSEs.

1.8.4 Data Analysis

Thematic data analysis was done concurrently with data collection. Data were analysed by organising them into categories on the bases of themes, principles, or similar features.

1.8.5 Ethical Considerations

The researcher applied for ethical clearance with the Department of Development Studies (UNISA) to get approval to conduct the study. Consent forms were obtained from each of the study’s participants. The identity of the study’s participants was kept confidential to ensure their protection from any unnecessary or unwanted outcomes that may arise due to their opinions expressed in the study. This was done by keeping all written records anonymous and substituting
names with appropriate codes that allowed for the sorting of the data for analysis. The researcher communicated with the FeMSEDA office for approval to conduct the research.

1.9 CLARIFICATION OF KEY TERMS

The following terms are used in the study and need clarification:

**Enterprises** have two common meanings.

1. Enterprise is simply another name for a business.

2. The word enterprise describes the action of someone who shows some initiative by taking a risk by setting up, investing in and running a business.

**Micro-enterprises** are business enterprises start in all sectors of the Ethiopian economy with a paid-up capital of not more than Birr 20,000, (USD 2,500) but the definition ignores high-technology consultancy firms and other high-technology establishments (FeMSEDA, 2011a).

**Small Enterprises** are business enterprises with a paid-up capital of more than Birr 20,000 ($2,500) but not more than Birr 50,000 ($6,250) this excludes high-technology consultancy firms and other high-technology establishments (FeMSEDA 2011a).

**Factors:** A factor is a contributory aspect such as politico-legal, working premises, technologies, infrastructure, marketing, financial, management and entrepreneurial influences that affect the growth of MSEs.

**Participation:** In the development context, participation is a process in which all members of a community or organisation are involved and have influence on decisions related to development activities that will affect them.

**Growth** is the process of growing, development from lower or simpler to a higher or more complex form, an increase in size, number, value or strength, extension, or expansion.

1.10 CHAPTER LAYOUT

This research consists of six chapters. The first chapter introduces the research problem, presents the research objectives, and discusses the importance of the study. Chapter 2 discusses the literature reviewed on women's participation in the economy, the growth of women owned MSEs,
and the theoretical framework adopted for this study. Chapter 3 gives a detailed review of Ethiopian women-owned MSEs in the manufacturing sector. Chapter 4 describes the research design and methodology, sampling procedures, data collection and analysis, and limitations of the research. Chapter 5 presents the findings and discusses and analyses them concerning the literature review. Chapter 6 draws conclusions generated from the findings in line with the problem statement and research objectives and makes recommendations based on the findings and conclusions.
CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

Unemployment among women in developing countries has been identified as a problem by many countries, Ethiopia being no exception. Ethiopia experiences a much higher unemployment rate for women compared to men (MoFED and the United Nations Country Team, 2004). According to ILO (2005), there is a low participation rate of Ethiopian women in economic activities. The Millennium Development Goal Report (MoFED and the United Nations Country Team, 2004) states that Ethiopian women are disadvantaged in all aspects of life. Moreover, the global gender gap report identifies a huge gender disparity in Ethiopia (UNDAF, 2012). Various positive measures are being taken by the Ethiopian government to stimulate economic growth and to reduce poverty; for example, the government established the FeMSEDA in 1997. The aim was to meet the sustainable development of the country to empower women economically.

The situation of women-owned MSEs in Ethiopia is somewhat puzzling. There are tens of thousands of MSEs in the country. It is expected that by now these enterprises should have included more women and should have been transformed into viable business ventures that could employ more people and use modern technology in attaining sustainable development. MSE programmes have been in operation for more than 18 years but the participation of women is still low.

This chapter reviews literature related to women’s participation in MSEs throughout the world, specifically Ethiopian women-owned MSEs. It discusses the theoretical and conceptual discourses undergirding women’s participation in economic activities and the socio-economic status of women in the world, global perspectives on economic strategies for women’s development and empirical literature. The literature review encompassed books, journals, information from websites, briefing papers, and conference proceedings. The researcher did this to be fully familiar with all relevant studies regarding women’s participation in MSEs and find valid and credible answers to the research question, help in the research design and methodology and support the analysis and interpretation of findings and the results.
2.2 GLOBAL PERSPECTIVES ON WOMEN ECONOMIC STRATEGIES

Women throughout developing countries are subjected to economic discrimination (ILO, 2011). The consequences stem from increasing globalisation which makes it difficult for many women in developing countries to compete for economic opportunities (ILO, 2011). Besides, women who cannot compete for economic opportunities remain socially, culturally, and politically marginalised. Moreover, family obligations constrain women from engaging in economically productive work. United Nations [UN] (2008) states that more than 70% of women are poor due to lack of employment opportunities and social factors. The successful implementation of women MSEs will address women economic and employment problems. There are efforts being made to avert this situation in many developing countries such as Ethiopia through supporting women-owned MSEs. The aim is to promote women’s economic independence and other forms of empowerment. However, there is a lack of understanding of the conditions in which women-owned MSEs operate. This is the gap that this research seeks to address.

Some of the bottlenecks that need addressing are limited skills and capital (ILO, 2008). This means the possibility for women-managed enterprises to transition into viable, sustainable companies is limited. Conversely, Carrier (2008) says that MSEs can grow and alleviate women unemployment problems in developing countries when they are socially and economically empowered. The absence of capital, inadequate skills and other entry barriers to MSEs mean continued stagnation or failure of women’s enterprises. Moreover, the lack of a dependable and precise picture of the economic influence of women's entrepreneurship around the world remains uncertain (Hall, 2003, cited in Richardson, Howarth & Finnegan, 2004). This implies MSE strategies in developing countries such as MSEs need a clear understanding of the conditions which affect women in various spheres. Failure to gain such understanding leads to a low number of women entrants in MSEs and other economic initiatives. Evidence shows that many women-owned MSEs fail to upgrade their businesses, assets, and employment, and firms stagnate, close down and exit the market place (Reeg, 2013). But not clearly show what specific policy and mechanizem not adess women MSEs participations.
2.3 WOMEN’S SOCIO-ECONOMIC STATUS

Evidence shows that women are usually perceived to perform only home production and reproductive roles, a notion that continues to explain the inequality of women in many societies (Kabeer & Natali, 2013). This means the economic value is rarely attached to women’s unpaid work (ILO, 2011). Moreover, women are often excluded from formal employment (UNFPA, 2005). As a result, many women join the informal sector which is associated with very limited economic resources. The outcome is high unemployment rates among women in developing countries (MoFED & the UN Country Team, 2004). Unemployment is caused by the inability of women to join formal business ventures such as MSEs.

In Ethiopia, women’s participation in economic activities remains low with the situation on a steady increase (ILO, 2005). A study by the World Bank (2012) shows a substantial increase in formal employment among females in Ethiopia. This contrasts with the CSA (2004) report which indicated that women constituted 43% of the total employees in the country. To increase the number of women employees and maintain existing ones requires a thorough understanding of their employment needs and conditions of women’s enterprises. This research seeks to understand problems that women-owned MSEs experience.

Several theories are suggested to understand women’s participation in economic activities, including the circumstances under which women-owned MSEs are managed. The critical theories are discussed in the next section.

2.4 THEORIES

This research focuses on the participation of women in economic activities, specifically, MSEs. To this end, theories that provide a lens on women’s participation are outlined.

2.4.1 Institutional Theory

This research relies on the institutional theory which focuses specifically on entrepreneurship research (Bruton, Ahlstrom & Li, 2010). This is because addressing institutional challenges is seen as a way of unlocking women’s economic potential by alleviating barriers crippling institutions. Institutional issues hinder the development of women-owned MSEs (Baumol, Litan & Schramm, 2009). This means institutions dealing with women’s enterprises must be streamlined. Much of
the work on institutional theory was developed by neoclassical economists, political science behaviourists and sociologist positivists (Scott, 2004). In recent years, the theory has been embraced to explore institutional economics and organisational theory (Su, Zhai & Karlsson, 2017). At the core of the theory lie the pillars of cultural-cognitive, normative and regulatory elements that are critically important to women’s participation in economic development initiatives (Scott, 2004). This research deals with the construct of women-owned MSEs, which fits under this umbrella.

Therefore, exploring issues surrounding women-owned MSEs in Ethiopia requires an in-depth understanding of the main pillars of institutional theory. The pillars of an institutional theory are categorised according to institutions that may be formal, legally constituted institutions, or informal. Moulaert, Jessop, and Mehmood (2016) argue that institutions have a policy or structural arrangements that require identification to effect necessary changes. This applies to women-owned enterprises in developing countries such as Ethiopia where formal and informal arrangements may exist. To this end, women’s economic development and other activities are analyzed within the context of the main pillars of institutional theory deemed relevant to the Ethiopian context, namely, regulatory, normative, and cognitive.
The theoretical framework of the research is summarised in Figure 2.2.

![Theoretical framework of the research](image)

Source: Prepared by the researcher

2.4.2 The Nexus between Women Micro and Small Enterprise Development and the Three Main Pillars of Institutional Theory

2.4.2.1 Regulatory factors

The rules-based version of institutional theory helps to determine or measure compliance by ascertaining the existence of real institutions (Peters, 2000). This implies that the regulatory pillar is designed to measure and deal with constraints that impede economic activities of development initiatives such as women-owned MSEs. The pillar concerns the existence of government and institutional policies and rules that foster women’s activities by harnessing barriers that female entrepreneurs face while implementing day-to-day MSE activities. Regulations confer a legitimate control over enterprises (Deephouse, Bundy, Tost & Suchman, 2017). This implies they must be well articulated to comprehensively address barriers for women-owned MSEs. There are
regulatory factors that influence MSEs operated and managed by women that are relevant to the Ethiopian case.

According to Hundera (2014), a correlation exists between government policy and the inability of small businesses owned by women to become competitive enterprises. To this end, analysing the extent to which the 1997 Ethiopian National Micro and Small Enterprise strategy have created favorable conditions for the establishment of institutions that deal with women’s development issues such as MSEs is critically important. The strategy was designed among others to encourage women entrepreneurship through the development of MSEs (Mulu, 2009). Addressing women’s development needs through the lens of the institutional theory requires a partnership between government, private sector, and civil society organisations. This approach has a positive impact on the establishment and management of women’s enterprises (Bekele & Worku, 2008). For instance, the likelihood and continued existence of women-operated MSEs has been closely correlated with the degree of financial support, an enabling macroeconomic environment, and other forms of support that government offers to women’s enterprises (Bekele & Worku, 2008). This underscores the importance of government rules and regulations in women’s development initiatives. The contribution of MSE strategies and related policies in Ethiopia is analysed to understand whether it harnesses constraints or perpetuates barriers to women’s enterprises.

2.4.2.2 Financial regulation

Hundera (2014) says that a relationship exists between government financial support and successful start-ups of women enterprises. Women’s entrepreneurial success is made possible through government actions that take on economic and non-economic dimensions. By employing financial instruments women may start business ventures (Hundera, 2014). This is only possible when constraints to women’s enterprises that prevent them from gaining access to finance are understood. This research seeks to explore these constraints. The understanding of the constraints is crucial to unlocking the barriers that women face in accessing financial resources. In Ethiopia, financial policies targeting women enterprises are still problematic, leaving many women out of financial schemes due to various requirements of financial institutions (Bekele & Worku, 2008). This implies women-owned MSEs find it difficult to run their operations or smoothly transition into viable companies.
In line with the statement above, the World Bank (2011) identifies the lack of collateral as the major constraint in access to finance by women entrepreneurs. This is because lenders in Ethiopia use collateral as a criterion to access funds for development purposes. This implies woman-managed or -owned enterprises are at risk of stagnation or closure due to poor financing. Similarly, Assefa, Zerfu, and Tekle (2014) assert that the lack of access to financial resources is one of the major impediments to the growth or expansion of women-owned MSEs in Ethiopia. Ethiopian institutions (credit bureaus and registries) that would otherwise assist women to gain access to finance remain weak. Moreover, the small number of women associations denies them a chance to use their registration as a guarantee to access funds from lending institutions (Kipins, 2013). This implies that the constraints that hamper the formation of women’s associations or proper functioning of existing ones need to be understood. This research seeks to understand how women organise themselves in the business environment.

2.4.2.3 Normative factors

One of the normative factors underlying the success of women enterprises is the ability to take advantage of previous work or ownership experience to start new business enterprises (Bekele & Worku, 2008). This means any form of support that public and private institutions give to women should consider the experience that women possess.

Normative institutional theory depends on models of organisational and individual actions based on obligatory scope of social and organisational interaction. Institutions guide behaviour by defining what is appropriate or expected in various social and commercial situations. Normative systems are typically composed of values (what is preferred or considered proper) and how things are to be done, consistent with those values that further establish consciously followed ground rules to which people conform (Kibler & Kautonen, 2016).

Once women’s experience has been properly and appropriately documented, training, financial and other packages can be extended to women enterprises. This culture of avoiding the idea of ‘business as usual’ on the part of government and other institutions may ensure the success of women-owned MSEs. This research analyses and assesses the opportunities that women have to operate MSEs. Experience is one of the important opportunities that can lead to the successful operation of women’s MSEs. On the other hand, the normative perspective measures the values
that exist within women enterprises (Peters, 2000). This means analysing women enterprises call for an understanding of the way MSEs are organised or their organisational culture, including the way it is produced and reinforced.

Peters (2000) identifies normative methods needed to understand MSEs constraints, types of institutional change and transformation needs that MSEs may adopt. Methods include questionnaires, in-depth interviews or organisational artefacts such as training manuals, internal communication, the types of institutional change, namely, institutionalisation and possibly deinstitutionalisation, and changes in values. Transformation requirements involve autonomy, adaptability to a changing environment, complexity, and coherence.

In Ethiopia, factors such as women’s burdens or roles and responsibilities, especially at home, constrain women enterprises (Bekele & Worku, 2008). This means the understanding of the operation of women enterprises requires investigation beyond aspects at the workplace to include constraints springing from household arrangements.

2.4.3 Cognitive Institutional Theory

This theory is modeled and largely depends on the behaviour of individuals both in terms of culture and language. The theory guides the understanding of how different societies may accept or reject different events and dynamics that affect their operations (Bosma, Acs, Ation & Coduras, 2009). This refutes the usefulness of regulations (Williams & Costa, 2019). Regulations can only work effectively if they are acceptable to those they are meant to assist. Therefore, the power to control or regulate women enterprises may be jeopardised if women enterprises perceive regulations to be unfair to them. The other dimension regarding acceptability is the fact that societies tend to annex childbearing and other home-based responsibilities to women. This may impede their ability to run successful enterprises due to cultural factors associated with their acceptability to engage directly in economically productive work. As Crumpted and Mishera (1991) cited in Abagissa (2013) state, women who run their own enterprises are not seen as powerful, influential and successful business leaders. Moreover, relationships in many societies place women at a disadvantage where structural hierarchal arrangements that portray and indeed make women subordinate to men exist (Abagissa, 2013). This means that even if women had an opportunity to access resources, the chances of utilising them in a more productive way may range from little to none.
In countries like Ethiopia, the attitude of the society towards women entrepreneurs remains negative (Assefa et al., 2014). This implies government policies on MSEs need to pay attention to removing stereotypes that put women entrepreneurs at a competitive disadvantage. Devising policies that focus on changing the attitude of society towards women entrepreneurs may improve women’s participation in MSEs and other economic ventures.

2.4.4 Women in Development (WID)

This theory emphasises the need to consider gender roles in development programmes. Mukhopadhyay (2004) maintains that the current debate on women and gender issues in development calls for the more active involvement of WID spheres. MSEs are one of the ways to ensure that women participate in economic development, which has a profound effect on other aspects of women’s lives in society. Although several international development agencies and activists have championed women’s issues, a lot more is needed in terms of support. For instance, efforts to reinforce gender mainstreaming have not fully harnessed gender inequality, particularly, in developing countries where women constitute 70% of individuals living in poverty (UN, 2008).

Other theoretical discourses focus on the failure of new technologies to reach or benefit women. Doubts about the neutrality of development agencies and failure to control market forces led to the emergence of WID. WID advocates focused on women’s productive role as mothers which meant that women’s subordination was seen as part of the social framework of a country (Menon, 2017). The approach strongly criticises development agencies and governments for failure to better integrate WID policy and practice while highlighting the need to include women in the development process. However, the WID approach is criticised for failure to address gender discrimination, the root cause that prevents women’s full participation in their societies (Bradshaw, 2013).

2.4.5 Women and Development (WAD)

WAD proponents argue that women are already integrated into the development activities, but unequal distribution of resources is the main problem (Yeh, 2018). The WID approach is criticised for failing to address the question of power relations between men and women. The WAD approach identifies women’s lack of access to resources and decision-making power as the key to their subordination without raising the question about the roles of gender relations in restricting
women’s accesses in the first place (Yeh, 2018). However, both the WID and WAD approaches can contribute to women’s advancement and increase gender equity.

The 1980s saw an increasingly positive trend in acknowledging the role of women as a driving force and partner in all development activities. Likewise, Gender and Development (GAD) followed suit in the same year. According to Bradshaw (2013), the GAD approach was seen as a development instrument in which three concepts were emphasised namely: (i) men and women have unequal benefits and varying costs, with women bearing most of the costs in societies whereas men enjoy most benefits; (ii) problem identification needs to take on a gender perspective; (iii) the functions of men and women differ in society although there is need to take care of the interdependencies as men may constrain or expand women’s options. The essence of GAD is to encourage a mutual working relationship between men and women to achieve set goals and greater equality (Bradshaw, 2013.).

2.4.6 Women Empowerment

Women constitute some of the world’s poorest people (Kahne, 2019). This is indicative of the inability of women to access economic and other resources they need to better themselves economically and socially. Moreover, the continued discrimination against women in almost all cultures and societies exacerbates the situation (Singh & Gupta, 2013).

This implies empowering women helps them identify and exploit their economic potential (Jacob & Athawale, 2016). Such potential may be in form of MSEs. Empowerment can be a powerful tool to boost the abilities of women that may have long-lasting potential to influence desired economic changes that benefit them. However, according to Fields (2019), most women in developing countries lack education and skills to engage in economic activities which implies that their contribution to economic development is constrained.

Empowering women means increasing their contribution to national development. Important to note is the need to identify the economic policies with a positive impact on the total development of women (Singh & Gupta, 2013). Policies and strategies can focus on MSEs where many women are already contributing despite the limitations placed on them. There is also an increasing number of women seeking to register MSEs. This means the economic policies should address the entry requirements of women as well as the skills needed to run enterprises successfully. Economic
policies also need to identify the correlation between women's empowerment and economic development. There is a strong belief that development initiatives can bridge the inequality gap while, at the same time, nations can benefit from women empowerment through accelerated development (Singh & Gupta, 2013).

2.5 ECONOMIC EMPOWERMENT OF WOMEN

Economic empowerment of women can create a balance between the participation of women and men in development. The method can take various forms. According to UNDP (2008), economic empowerment of women focuses on human rights and social justice. There are views that regard the economic empowerment of women as a pre-requisite for sustainable development (OECD, 2012). This implies that economic initiatives should embrace the rights and social aspects of women. It is clear that women economic initiatives should embrace all pillars of sustainability rather than focusing narrowly on economic objectives.

The Swedish International Development Agency (SIDA) (2015) states that achieving economic empowerment of women requires combining interventions to increase women’s access and control over economic resources. It points out that gender perspective in entrepreneurship programmes can strengthen the position of women in the economic sphere in societies. Involving women enterprises in economic activities can deliver desired economic and social outcomes, boost women’s self-confidence and promote women’s active participation in national development (Kabeer, 2009). This means women’s enterprises should be supported in order to reduce vulnerability and poverty among women. Failure to offer the required policy and other forms of support increases household vulnerability to poverty restricting the growth potential of women-owned MSEs. SIDA (2015) says that neglecting women disadvantages them, as they remain, small actors, implying they cannot attain higher growth levels.

Ensuring the desired growth of women enterprises calls for the systematic removal of barriers to help unleash their economic potential. Other requirements to be met are ensuring women’s access to education and training opportunities that enhance their organisational and business skills (both for existing enterprises and potential entrants) to ease their entry into the labour market; facilitating access to land and productive inputs and credit (SIDA, 2015). Tackling barriers of women enterprises requires social and economic strategies. These are made possible by devising strategies
that include tools, mechanisms, and guidelines to help improve women enterprises in developing countries such as Ethiopia. According to the World Bank (2012), Ethiopian women represent about half of the population. Therefore, a programme to support them through investing in women enterprises and devising gender-responsive strategies is seen as critically important.

MSEs’ activities are influenced by prevailing institutions such as government policies, laws, structures, and socio-cultural norms of any national context. Thus, institutional theory can provide understanding of how and in which ways the environment affects women-owned MSEs in any national context, typically MSEs depending on the existence of an institutional matrix. As Capello and Kroll (2016) state, institutional theory and the development of MSEs go beyond the mere drafting of strategic support strategies. The theories provide an understanding of women’s conditions in MSEs while empirical literature is used to inform theory, implying that the two reinforce each other in creating an understanding of the circumstances that surround women’s economic activities. A combination of the theoretical and empirical literature provides a foundation for actions aimed at improving the environment in which women-owned MSEs operate.

**2.6 EMPIRICAL LITERATURE**

This section discusses evidence on women-owned MSEs and women’s condition in participation in economic activities.

**2.6.1 The Concept of Micro and Small Enterprises**

The concept of MSEs is interpreted, defined and classified differently across industries, sectors, countries and continents. The common criteria used for classifying MSEs are the number of people they employ, the size of the organisation, their assets, and the sales they make (Hatten, 2011; OECD, 2004). The European Commission divides SMEs into three categories namely: micro, small and medium (Berisha & Pula, 2015). Table 2.1 illustrates this classification.

Table 2.1: The classification of small and micro-enterprises

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Head owned annual work unit</th>
<th>Annual Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>≤ €2 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt;50</td>
<td>≤ €10 million</td>
</tr>
<tr>
<td>Medium</td>
<td>&lt;250</td>
<td>≤ €50 million</td>
</tr>
</tbody>
</table>

Note: € = Euro

Source: (Berisha & Pula, 2015)
Women-owned MSEs can progress through the classifications in Table 2.1 when they are supported by the government and other players. The determination of the current situation of women enterprises in Ethiopia calls for understanding how they operate. This is what this research seeks to do.

The World Bank uses three quantitative criteria to define SMEs namely: the number of employees, total assets in US dollars (USD), and annual sales in USD (Independent Evaluation Group [IEG], 2008). The World Bank criteria are provided in Table 2.2.

Table 2.2: World Bank criteria for defining SMEs

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>No of employees</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>100 000</td>
</tr>
<tr>
<td>Small</td>
<td>&lt;10&lt;50</td>
<td>&lt;100 000≤3 000 000</td>
</tr>
<tr>
<td>Medium</td>
<td>&gt;50&lt;100</td>
<td>&lt;3 000 000≤5 000 000</td>
</tr>
</tbody>
</table>

Source (IEG, 2008:88)

Attaining World Bank financial benchmarking requires policies to assist already established MSEs. This is because many women enterprises rarely survive very long after their establishment (Reeg, 2013). This means chances of attaining the World Bank criteria are difficult if not impossible to realise unless women receive the necessary support from relevant government and private institutions. Issues affecting women enterprises need to be understood and appropriate strategies devised to create opportunities for women firms entering or transiting through the levels of production. This will help women enterprises to compete locally and internationally.

In Ethiopia, the concept of MSEs has been defined and redefined. However, the concept remains highly evolutionary and quite unclear in terms of women integration given available definitions (Solomon, 2010). The FeMSEDA defined MSEs in 1997 and 2011. The 1997 definition of MSEs in Ethiopia considers paid-up capital (FeMSEDA, 2015). An enterprise is categorised as ‘micro’ if it has a paid-up capital of less than or equal to Ethiopian Birr (ETB) 20 000 or approximately USD 1 000 (FeMSEDA, 2007).

This is far below the criteria used by the World Bank and the European Commission. Women enterprises may face stiff competition to compete with similar enterprises outside Ethiopia. This implies their chances to grow into more economically viable companies are limited. Most women lack collateral or guarantees to access the equivalent in form of a loan. Personal savings through
formal means and traditional means such as group savings are too meagre to be used as start-up capital. Often, the sum is too small to cater for rental space in big urban areas in Ethiopia. Similarly, a small enterprise is an enterprise with paid-up capital of more than ETB 20 000 and less than or equal to ETB 50 000 (FeMSEDA, 2015a). To address the development needs of women-owned MSEs, the Ethiopian government outlines critical elements in its definitions of MSEs.

According to the FeMSEDA of Ethiopia, the new and currently working definition (ratified in 2011) differs from that of 1997. Micro-enterprises employ up to five people (including the owner) and have total assets not exceeding ETB 100 000 (USD 5 000) in the industrial sector. For activities in the service sector such as retail, transport, hotel tourism, ICT and maintenance, the total assets do not exceed ETB 50 000 (USD 2 500). Small enterprises in the industry sector have 6–30 employees and their total assets do not exceed ETB 1.5 million (USD 75 000). In the service sector, the total assets are ETB 500 000 (USD 25 000) (FeMSEDA, 2015a). The definitions emphasise the number of employees and capital.

In the context of Ethiopia, women may not be able to attain the set criteria, particularly in terms of capital due to limited financial resources which are not correlated with the growing demand to start new SMEs. For those who wish to join, the capital is far beyond their capacity. Moreover, women lack collateral security to secure loans from financial institutions. Banks and other lending institutions require land with improvements on it and other assets, which many women may not possess due to cultural barriers. Also, firms use family labour whose members may not have the required skills to push them to the next level.

Another definition of MSEs by the CSA is based on the number of employees and extent of automation. The CSA defines those enterprises with more than 10 employees using automation and machinery as large and medium enterprise (LMES), and small and medium enterprise employ less than 10 persons and use power-driven machinery. The limitation of this definition is that it ignores the size of capital and the sectors outside the manufacturing sector (CSA, 2006).

The definition by CSA, therefore, ignores the needs of many women engaged in other sectors. This means the sector lacks adequate support in terms of access to finance, training and other incentives. This also puts women in the manufacturing sector at a disadvantage. At the same time, the
manufacturing sector requires specialised skills that many women lack. Despite the constraints faced by women, they continue to engage in MSEs.

2.6.2 The Role of Micro and Small Enterprise in the Global Economy

Alleviating unemployment through job creation improves the standard of living. According to Reeg (2013), the positive role of MSEs in terms of employment, growth and sustainable development remains crucial. For instance, MSEs promote social stability and generate tax revenues. Moreover, MSEs are a source of income for women and act as a poverty reduction strategy. These enterprises employed 80% of the workforce including women. This means barriers to women’s employment and women-owned MSEs need to be addressed to actualise the benefits highlighted. This is because limited capital and other requirements for business start-ups have hindered women from joining MSEs and other business ventures (Wasihun & Paul, 2010).

Despite the advantages offered by MSEs, the outcome of their contribution remains greater in high-income countries compared to their developing counterparts where they are less developed (Wolfenson, 2007). However, the contribution of MSEs to the national Gross Domestic Product (GDP) and total employment remains substantially high and vital (Solomon, 2010). This means supporting women-owned MSEs through various initiatives may reduce unemployment among society and women in particular. This may eventually result in sustained economic growth and development in developing countries through the growth of MSEs, which may expand to become medium or even large-scale firms. Figure 2.1 shows the global contribution of Small and Medium-Sized Enterprises (SMEs) to job creation.

![Figure 2.1: Employment creation by SMEs](source: World Development Indicators (2011))
Figure 2.1 shows that SMEs play a significant role in creating jobs for the population in low-income countries like Ethiopia. This implies SMEs need more support to deal with the slower pace that characterises women business ventures in developing countries like Ethiopia.

Savlovschi and Robu (2011) say that, in some developing countries such as South Africa, SMEs employ up to 60% of the workforce with a production capacity of about 40%. Supporting women business ventures such as SMEs can have a positive impact on job creation and production capacity. SMEs are key instruments in poverty reduction efforts (OECD, 2004). For women to benefit from jobs in SMEs, the government should support existing women enterprises from which new entrants can draw experiences.

Therefore, poverty alleviation calls for a concerted effort to address the following: (i) creating new and innovative domestic SMEs and formalising informal enterprises; (ii) making firms more competitive and productive; and (iii) increasing the share of nationally competitive SMEs to attain a level of international competitiveness through trade and improving or establishing linkages with relevant bodies. According to International Finance Corporation (IFC) (2004), this could make SMEs one of the major employers of many poor people including women.

2.6.3 Nature of Women-owned and -Managed Micro and Small Enterprises

MSEs are motivating women to boost their incomes to avoid economic dependency on men and governments. Women businesses start as small entities such as handcraft or growing and selling agricultural produce. The IFC (2014) and Misango and Ongiti (2013) state that women-owned MSEs contribute greatly to society and reduce poverty. MSEs provide self-employment opportunities for women to encourage them to utilise their full potential (Wasihun & Paul, 2010). This means the government must support women’s initiatives such as women-owned MSEs. In Africa and Latin America, women own 61% of MSEs (Nichter & Goldmark, 2009). In Bangladesh, Singapore, Japan, China, South Korea, Taiwan, and Malaysia, MSEs have improved the life of women (Bekele & Zeleke, 2008). The success achieved for those countries relates to the policies that respect the basic rights and needs of women. This means women development needs should be included in economic policies.

However, many women enterprises in some Sub-Saharan African countries are informal and often neglected by national statistics, government entrepreneurial support activities and framework of
government regulation (Hundera, 2014). This explains why women-owned MSEs have remained small (Hampel-Milagrosa, 2011; ILO, 2004a). In order to encourage the expansion of women-owned MSEs, the obstacles they face must be tackled. Failure to do so implies that women-owned MSEs will continue to employ very few people (up to 10), their total production output will remain small and so will their contribution to total employment. Anderson et al. (2007) argue that women-owned MSEs face different problems such as land, financing, education and lack of work experiences. In addition, financial institutions have not yet realised the business opportunities to enable them to meet specific financing needs of women entrepreneurs as a distinct customer group (IFC, 2014). To this end, women need to be supported to break the barriers identified. A business environment that is supportive of women’s enterprises can help to remove the barriers preventing women from fully controlling the circumstances surrounding their MSEs (Davi, 2012).

The IFC says that women-owned MSEs are smaller than those owned by men and operate in different subsectors, both service and manufacturing (IFC, 2014). There is also evidence that in Ethiopia, Zambia and Tanzania women are more experienced in running MSEs than men are. This is because women have often operated a similar business at home or in other places (ILO, 2004b). The problems are that women lack enough support to transition to viable companies to compete locally and internationally.

Generally, women’s enterprises are concentrated in the small growth segment, face constraints such as poor access to finance, lack of enterprise expansion skills and business networks, limited acquaintance to business management experience and the challenges of juggling business with household and family responsibilities (Reeg, 2013). In addition, women frequently face gender bias in the socio-economic environment in which they operate (Richardson et al., 2004). In Ethiopia, women-owned MSEs are described as ‘survivalist’ (Solomon, 2010). The start-up capital for most of the MSEs owned by women remains very small and 85% of it is generated from individual savings, including Iquib\(^1\), and borrowing from friends and family (CSA, 2003).

\(^1\) Iquib is a socioeconomic saving tradition in Ethiopia, which involves a group of individuals putting together their meagre income and agreeing to terms of sharing it amongst themselves in a defined period on a rotational basis.
2.7 CONSTRAINTS ON WOMEN MICRO AND SMALL ENTERPRISES

The barriers limiting the expansion of women-owned MSEs remain a challenge that stakeholders should address. Mathapo (2001) says that governments’ lack of legislated sustainable employment policies negatively impacts the socio-economic aspects of women. Other constraints include family burdens, poverty, poor access to credit, limited market and procurement, lack of access to information, and an absence of efficient supportive institutions. These make it difficult for women to own and operate viable MSEs.

The United Nations Economic Commission for Europe [UNECE] report (2004) identified five main specific barriers to women enterprises namely: (i) access to information; (ii) access to finance; (iii) access to markets; (iv) access to networks; and (v) validation. These are necessary for women to start up or expand MSEs, yet they are underdeveloped in developing countries, particularly Ethiopia. The lack of the above requirements has forced early closure for many women-owned MSEs in Africa and Asia. According to Liedholm (2002), in Kenya, Botswana, Swaziland and Zimbabwe, over 50% of small firms close within three years of start-up. ILO (2008) states that women entrepreneurs in Tanzania and Zambia face the following limitations: limited networks; limited workspace due to lack of property rights; no collateral (title deeds); no access to formal finance and a heavy reliance on informal, expensive family and community loans; no flexible arrangements regarding timing and location of service delivery; and no protection from harassment.

Furthermore, limited finance has been singled out as a major bottleneck to women-owned MSEs. (IFC, 2014:15). Women lack collateral and other requirements needed by financial institutions to grant them loans. In Ethiopia, the government encourages women to organise themselves in small groups in order to access development funds. However, many women do not have this opportunity as their social capital is limited; women migrants particularly have very limited if any social capital in urban areas. Also, many women are not organised in associations, which can act as a guarantor in the absence of land and property titles. In addition, it is common for credit institutions to trust big entrepreneurs because they perceive small businesses to have high risks (Palazuelos, Crespo & del Corte, 2018). Bureaucratic procedures involved in accessing credit from creditors discourage potential women entrepreneurs. Solomon (2010) says women entrepreneurs in Ethiopia are more than two-and-a-half times more likely to fail to complete credit procedures compared to men. A
typical example is the 53% of women entrepreneurs who failed to access credit from the Bank of Ethiopia. As clients of micro finance institutions, in 2006 38% of women failed to access credit and in 2007, this percentage was 43%. The same is true for the Association of Micro Finance Institutions (AEMFI), where 60% failed to get credit (AEMFI, 2009). Those who manage to go through the procedures find the loan ceiling too small to start MSEs. The constraints discussed above hinder women from actively participating in formal MSEs.

2.8 PARTICIPATION OF WOMEN IN MICRO AND SMALL ENTERPRISES (MSES)

The World Bank (2006) states that women entrepreneurs in MSEs act as engines of growth in developing countries. MSEs provide women with economic gains such as jobs, resulting in reduced poverty. For example, in most Asia-Pacific countries, MSEs make up 80% of enterprises, 35% of which are owned by women (Asian Pacific Economic Cooperation [APEC], 2008). The UNECA (2004) states that women entrepreneurs in MSEs contribute to employment growth at a higher rate than firms that are larger. This means that if they were to receive more support from governments, their activities could expand and create even more jobs, a condition that may considerably reduce unemployment in developing countries.

In several African countries and the Dominican Republic, 61% of MSEs are run and owned by women (Reeg, 2013). This shows how MSEs play a critically important role in the economies of developing countries. There is also evidence that actively involving women in MSEs improves income levels and brings about wealth creation and poverty reduction (Mbiti, Mukulu, Mung’atu & Kyalo, 2015). Sharma, Dua and Hatwal (2012) state that MSEs contribute significantly to national productivity and employment creation. They also contribute to economic independence, personal and social capabilities among women. This is possible if women-owned MSEs are brought on board and their constraints are addressed.

Personal and social capabilities of women enterprises include but are not limited to economic freedom, better living standards, self-confidence, increased awareness, inculcation of a sense of achievement and social interaction. Some participate in political activities and in social meetings, engaging in problem-solving and decision-making in society (Sharma, Roy & Chakravorty, 2012). Economic independence is possible when women in MSEs or new women entrants receive support.
The World Bank (2005) report asserts that women-owned MSEs could be effective tools for economic growth. This can only happen when women fully participate in MSEs. As noted by Kibas (2006), the absence of women participation in economic development means women enterprises will remain small with little or no growth. The World Bank (2003) report states that women-owned MSEs need to have the opportunity to compete internationally in the market. In Ethiopia, although women’s enterprises are not growing as expected due to lack of meaningful participation in business by women, there is some progress and competition is evident (Palazuelos et al., 2018). Policies need to be devised to enable women to participate fully in MSEs and encourage the expansion of women-owned MSEs. Bekele and Worku (2008) stated that Sub-Saharan African countries’ policies that consider basic rights and needs of women create an attractive environment for the establishment of women’s enterprises. The problem in countries such as Ethiopia is that women still have a low status in society, implying they need extra support to benefit from these initiatives. ILO (2011) reports that women entrepreneurs are mostly in the microenterprise sector and are practically unseen in the middle and large enterprise categories. Moreover, women seeking to develop their enterprises into bigger companies face gender-based legal, economic or socio-cultural barriers and inequalities that stop them from engaging fully.

2.9 THE STATE OF MICRO AND SMALL ENTERPRISE DEVELOPMENT IN ETHIOPIA

Ethiopia has instituted economic development measures aimed at alleviating poverty among poor communities. One of the strategies directly contributing to this end is the MSE strategy which aims to: (i) facilitate economic growth through equitable development; (ii) create long term meaningful jobs; (iii) strengthen cooperation between MSEs including those owned by women; (iv) provide a base for medium and large-scale enterprise to grow into viable companies; (v) promote exports; and (vi) balance preferential treatment among large enterprise (FeMSEDA, 2015b). Supporting legislation is in place to support MSEs namely: Licensing and Supervision of Micro Financing Institution Proclamation No. 40/1996 enacted in 1996, Federal and Regional Micro and Small Enterprises Strategy (FRMSES) formulated in 1997; Federal and Regional Micro and Small Enterprises Development Agencies (FRMSEDA) established by Regulation No. 33/1998. The proclamations, strategies and responsible institutions or agencies are intended to streamline the operation of MSEs, which employ many women (FeMSEDA, 2015b).
The MSE strategy contributes to Ethiopia’s broad-based economic growth initiative (GTP) to reduce poverty in the country. GTP aims to accelerate MSE development to boost the economy, increase job creation and building an industrial economy. GTP is meant to unleash the potential of women. MSEs are a direct response to GTP requirements. The 1997 National MSEs Development and Promotion Strategy sought to help individuals, including women, to exploit economic potential and come out of poverty. In terms of gender, the strategy aimed to empower women economically. The revised strategy of 2010 clarifies the critical importance of creating employment, increasing the number of women entrepreneurs and facilitating their transition to the medium-size level (FeMSEDA, 2015b). However, the strategy does not identify measures to implement to this end. Moreover, many women-owned MSEs have not attained medium-sized company level.

The MSE strategy seeks to reduce urban unemployment among the poor including women. To this end, GTP sets quantifiable targets for MSEs in Ethiopia namely: (i) creating 3 million jobs through MSEs; (ii) training of trainers for 10 000 professionals in the MSE sub-sector; (iii) technical, vocational, and entrepreneurial training for 3 million operators; and (iv) developing and providing 15 000 hectares of land by constructing shaded cover and buildings for new and expanding MSEs (MoFED, 2011). There is no clear directive on apportionment of the above based on the gender perspective. This implies women may not compete favourably for the opportunities with their male counterparts. A certain percentage should be allocated to women, and they could then be eligible to compete equally for the other opportunities.

In Ethiopia, the MSE strategy is an important component in all key government target sectors as indicated in the five-year national GTP which guides development in all sectors in the country. Despite this, the MSE initiatives have not fully benefited the intended groups (Singh, 2008). According to Bekele and Zeleke (2008), the Ethiopian MSEs are largely constrained by various country policies, structural and institutional problems, lack of start-up capital and smooth supply of raw materials, and strict work permits. All the above constraints hinder the increase in the expansion and participation of women-owned MSEs. The FeMSEDA 2015a report shows a decline in job creation by MSEs from 2005 to 2010 by 39.9%.

Ethiopia aims to reduce unemployment by investing in MSEs. The majority, i.e. 98% of business firms in Ethiopia are MSEs, 65% of which are small enterprises (Aregash, 2005). This means
MSEs need support since many women find employment in this sector. According to CSA (2003), MSEs in Ethiopia are diverse and include three dominant types of businesses, namely: crafts and trade (49%); street vending, cleaning and washing (25%); and service workers, shop and market sales workers (21%). Solomon (2010) indicates that small-scale industries include grain mills that account for 31%, furniture (21%) and metal products (19%).

The Ethiopian Manufacturing Finance Institution [EMFI] (2006) says that Ethiopian micro-enterprises account for 97% of all manufacturing establishments and 19% of the gross value of production in the sector. Medium- and large-scale manufacturing comprises 0.1% of the establishments but 73% of the total value of production. The CSA report on the informal sector survey indicates that the informal sector operators contribute more than 50% of the total urban employment (CSA, 2003). Women constitute a large share of this sector. However, they have limited support to establish formal businesses.

In Ethiopia, MSEs are the second largest employment-creating segment after agriculture. A countrywide assessment performed by CSA (2007) reveals that more than 1.3 million people in the country were engaged in the MSE sector. However, the performance of MSEs and their contribution to the country’s GDP remains obscure (Assefa et al., 2014). This means exploring issues of women-owned MSEs would directly contribute to the understanding of women-owned MSEs in Ethiopia.

2.9.1 Ethiopian Government Policy Support for MSEs

According to Assefa et al. (2014), to alleviate constraints facing MSEs in general, the government of Ethiopia expanded the market for MSE products by buying or facilitating the process of purchasing the goods they produce. This is done by the Federal Public Procurement Administration Agency, which uses legal measures to encourage public institutions to source a certain portion of their annual procurement from MSEs. This means MSEs benefit from government procurement. However, some MSEs lack the skills to improve their products to benefit from government initiatives and the skills gaps in women’s MSEs need to be addressed. There is also an information gap concerning government procurement undertakings on the part of women-owned MSEs. This means awareness creation and channels of information should be instituted. Also, the Federal
Micro and Small Enterprise Agency (FeMSEDA) has introduced a new sub-contracting system that encourages linkages with large and medium enterprises.

Examples of this arrangement include the condominium housing construction projects. Under condominium housing projects, 40% of the construction work involves finishing, such as sanitary and electric installation, while MSEs do the other finishing work, such as facing, plastering, flooring, painting, wallpapering, and glazing (Abebe, 2014). The number of women-owned MSEs trained to do such work is still small compared to their male counterparts. There are several bazaars and trade exhibitions organised by MSE development agencies to promote MSEs’ products and to link them with large and medium enterprises and foreign buyers (Assefa et al., 2014). However, women-owned MSEs rarely benefit from such arrangements due to additional costs such as transportation of their products. This means understanding women-owned MSEs constraints requires a holistic approach.

According to Mersha and Sriram (2019), the Ethiopian government offers training in diverse skills to potential entrepreneurs. Technological support through securing appropriate technology and production material in the form of purchases or leases needed for MSEs is one of the areas the government focuses on. However, there are not many women volunteers to take up training opportunities due to family responsibility. Traditional roles of women should be factored in during the formulation of strategies for women-owned MSEs. These initiatives are aimed at increasing women’s participation in MSEs. The following section explores women managed MSEs in Ethiopia.

2.9.3 Women MSEs in Ethiopia

Like many other countries in the developing world, women in Ethiopia own and operate MSEs which are less capital-intensive than large businesses and use limited resources (Haile & Fekade, 2009). To this end, many women still operate in the informal sector since they perceive formalised MSEs to be associated with many entry barriers. Despite the above concerns, by 2010, women-owned 73.5% of micro-enterprises including manufacturing (CSA, 2010). Evidence shows that women own medium and large enterprises in industrial activities. This means if women’s situations are understood and hindrances to the participation in MSEs are managed, more women could be recruited into economic activities.
Alleviating barriers facing women-owned MSEs is important. This is because limited barriers for business start-ups, short time requirements, and small profit margins affect women’s MSEs (Solomon, 2010). The EEA (2004) states that women entrepreneurs contribute to the national economy through job creation and poverty reduction. Conversely, their enterprises receive minimal support. This implies women’s MSEs may not transition into viable companies to make a significant economic contribution unless government and other players offer them necessary support. In addition, lack of access to finance impedes the establishment and expansion of women’s MSEs (IFC, 2011). Evidence shows that about 45% of women’s enterprises in Sub-Saharan Africa are denied credit, including 30% of women entrepreneurs in Ethiopia who lack access to working capital (ILO, 2005). This means women cannot start new MSEs or sustain existing ones. For example, women’s MSEs constituted 78% of all business that failed in Ethiopia (Bekele & Worku, 2008). This research seeks to understand the way women-owned MSEs operate in order to increase the sustainability of their economic activities.

2.10 CHAPTER SUMMARY

The literature accessed and referred to in this chapter on women’s participation in MSEs revealed that the issue of women’s participation in economic development remains problematic. The barriers women face in operating MSEs was identified as a critically important issue that needs addressing. The lack of favourable conditions for women enterprises is still a concern for governments of developing countries such as Ethiopia. Understanding the way women-managed MSEs operate requires concerted efforts to explore constraints beyond the workplace. The policy environment, understanding of women’s social environments, and the MSE strategy need to be aligned to unravel the various factors that hinder the transition of women’s enterprises into viable companies.

The next chapter provides detailed information about MSEs in Ethiopia, providing a historical background to MSE development in the country, trends, gaps, and women-owned MSEs’ issues in Ethiopia.
CHAPTER 3: MICRO AND SMALL ENTERPRISE IN ETHIOPIA

3.1 INTRODUCTION

The chapter provides background information about MSEs in Ethiopia. A historical background to MSEs development in the country, trends, gaps and women-owned MSEs issues in Ethiopia. The chapter analyses the policy regime and institutional framework for MSEs in Ethiopia. The chapter concludes by explaining MSE situation in the study area (Kolfe Keranio and Nefas Silk Lafto sub-cities), which is linked to Addis Ababa City, where the study is located.

3.2 MSE DEVELOPMENT AND WOMEN'S MSE ISSUES IN ETHIOPIA

The development of MSEs and the adoption of related reforms were ratified to address unemployment and abject poverty, specifically, among women were unemployment doubles that of their male counterparts (Debela, 2010; Engida, Dereje, Hassen, Yifredew & Yimer, 2017). This research focuses on the nature of women-owned MSEs. Since the inception of MSE programmes and reforms, the sector has grown to the second-largest employer after agriculture (Asgedom, 2016). Despite the importance given to MSEs the sector still suffers several setbacks that limit its growth. According to Asgedom (2016), the sector remains at survival level with little growth. This research analyses the growth or expansion of women-owned MSEs and the possibilities of transitioning to the next level in Kolfe Keranio and Nefas Silk Lafto sub-cities. According to Engida et al. (2017), the MSE sector in Ethiopia is still underdeveloped. This research assesses the support given to women-owned MSEs to harness the various barriers women are facing.

MSEs in Ethiopia employ a significant number of women (Engida et al., 2017; Eshetu & Zeleke, 2008). Despite this, the sector remains underdeveloped and women-owned MSEs still received limited strategic and policy support (Engida et al., 2017). According to Eshetu and Zeleke (2008), MSEs employ 49% of the women in Ethiopia. However, women-owned MSEs have not been given assistance in terms of recognition, access to finance and skills. This research examines the problems facing women-owned MSEs.

In Ethiopia, alleviating income inequality and unemployment remain high on the government agenda. The unemployment rate for women is more than twice that of men in urban areas (CSA, 2010). Approximately one third of young women cannot find employment in urban areas (IMF
A survey conducted by CSA states that average urban unemployment is 16% (CSA, 2012). The situation is most severe among young females. MSEs are designed to address the needs of women and other low-income groups (Andualem, 2003). To encourage more women participation in economic activities, the MSE strategy seeks to increase women’s involvement by 50%. This is in line with breaking down the barriers that hinder women from engaging in economic activities where they can have the opportunity to transform MSEs into large enterprises (ILO, 2011).

The GoE gives emphasis to the need to assist women in its 2011 MSE strategy. This is further reflected in the institutionalisation of women’s MSE issues in the country. FeMSEDA provides for women’s affairs and has created an office with officers in charge of women’s affairs in the agency. The Department of Women’s Affairs (WAD) in the Ministry of Trade and Industry is mandated to ensure women inclusion in industry and trade sector as well as offering women leadership skills to assist women in MSEs. This is aimed at salvaging women business enterprises.

According to the World Bank (2005), women start new businesses at a faster rate than their male counterparts. A survey conducted by CSA of Ethiopia stated approximately half of all new jobs are a result of the existing small businesses and enterprises in Ethiopia (CSA, 2007). The problem, however, is that women-owned MSEs fail to attain higher growth to transform into medium and large enterprises. This confines women-owned MSEs to small businesses. According to Eshetu and Zeleke (2008), data show that 49% of new businesses operational between 1991 and 2003 belonged to women but could not be expanded due to excessive collateral requirements by banks and MFIs.

Nevertheless, women in Ethiopia can access support from various programmes and projects. For example, the International Development Association has been established with GBP 13 million of external funding provided by UK, USD 3 million external grant funding by the US, and USD 10 million grant via the Trust Fund of Canada (World Bank, 2016). The Women-owned MSEs Support Institute runs the Women Entrepreneurship Development Programme (WEDP) and has instituted a WEDP in Ethiopia worth USD 50 million. In 2013, Ethiopian women entrepreneurs were able to use a line of credit from WEDP. The project was launched in 2012 to tackle MSE growth needs of women entrepreneurs. WEDP supports six cities (Addis Ababa, Bahirdar, Mekele, Hawassa, Dire Dawa and Gonder). The project has been expanded recently to benefit other urban centres like Aksum, Dilla and Assela (FeMSEDA, 2015b). By August 2015, the project had
benefited 4 466 women-owned MSEs Entrepreneurship development training including extending loans to more than 3 000 women in Ethiopia.

According to the World Bank (2016), the Women Entrepreneur Development Project (WEDP) project has registered the following achievements about women’s MSEs in Ethiopia:

- More than 3 000 women entrepreneurs accessed loans by 2015.
- More than 4 500 women have participated in business training by the year 2015.
- Women beneficiaries elevated their income by using 24%, employment by way of 17% and reimbursement of loans stood at 99.4% by 2015.
- It was projected that 6 000 new jobs would be created by 2017, the majority of which would be for women.
- WEDP MFIs accelerated potential to appraise has resulted in their potential to decrease the collateral requirements from an average of 200% of the value of the loan to 125%. WEDP MFIs have absorbed and diffused new and modern techniques to reach and serve women entrepreneurs more effectively and efficiently. New mortgage products are being developed and new forms of collateral such as vehicles, insurance policies and enterprise stock recognised to extend get admission to loans. This is useful in Ethiopia where no collateral registry exists.
- Through partnership between the World Bank Group, the WEDP has introduced an innovative credit technology to lenders. This technology uses psychometric tests which can predict the ability of a borrower to repay a loan and reduce the need for collateral. This technology allows women-owned MSEs who do not have collateral to take an interactive check on a tablet computer, which predicts their possibility to repay. If they rate highly, they can borrow without ordinary collateral. The test is being piloted by the WEDP and subjected to a rigorous evaluation. Other banks are asking for the technological know-how, and scaling-up this technological know-how should initiate a new avenue to credit in Ethiopia.

In terms of access to micro finance for women-owned MSEs and MSEs in general, the system recognises small-scale business as a feeder to large-scale industries (Seyoum, Aragie & Tadesse, 2016). This justification has been used to extend financial assistance to small businesses. The problem, however, remains that of limited access to institutional finance. Financing issues that impede the expansion of MSEs in Ethiopia relate to inadequate loan sizes; mismatch between loan
durations, and cash flow patterns of borrowers’ activities being financed by loans; failure to disburse loans on time and finally the tendency of MSEs to arrange group collateral requirements (Gebrehiwot & Wolday, 2006). Similarly, lending institutions tend to favour large enterprise rather than MSEs (Borji & Gashu, 2015). This is because small businesses lack the required collateral and are considered unprofitable and risky borrowers (Ministry of Urban Development and Housing [MoUDH], 2012). This has pushed many women-owned MSEs to resort to informal lenders who have their own contract rules, set high-interest rates and seize assets of MSEs in cases of loan repayment default.

In most MSEs in Ethiopia, financial management and savings-related awareness are very low. MoFED recommended the following points for MSEs to change their attitudes regarding financial institutions and growing knowledge of financial institutions and their services (MoUDH 2012):

- The MFIs and banks need to work-appropriate awareness creations. for promoting saving and the amount of saving be considered as a pre-condition to starting MSEs.
- MFIs need to work beyond the normal trend of advertising. They need to mobilise community-based associations regarding savings-knowledge.
- The controlling mechanism of MFIs concerning MSEs will be evidence of legal registration, regular savings, and maximum utilisation of their own resource potential to sustain long-term competitiveness in the marker.

3.3 POLICY REGIME AND INSTITUTIONAL FRAMEWORK

3.3.1 Policy Regime

MSE development has gained prominence in Ethiopia. In 1995, Ethiopia took the initiative to implement the Agricultural Development-Led Industrialisation Strategy and to facilitate private sector development strategies as a way of encouraging MSE development (MoFED, 2003). The strategy aimed at reducing unemployment and eradicating poverty among economically disadvantaged groups such as women (FeMSEDA, 2011b). Ethiopia approved the first MSE strategy document in 1997 which focused on ways to alleviate MSE problems and to offer assistance to promote the growth of enterprises (FeMSEDA, 2012). To this end, the GoE used the national MSE strategy in 1997 and later established the Federal and Small Enterprise Agency in 1998 (Mulu, 2009).
Meanwhile, the years 2004/5 saw significant improvements in policy focus where employment creation and alleviation of poverty were integrated (Debela, 2010). Moreover, the 2003 Ethiopian policy on industry and the 2006 poverty reduction strategy were formulated and ratified to actualize the envisioned benefits of MSEs. To this end, the policy and strategy consider MSEs as a major investment area create jobs and alleviate poverty in the country (Mulu, 2009). Specifically, the 1997 strategy sought to: (i) enable economic growth and create conditions for reasonable development; (ii) generate sustained jobs; (iii) amplify cooperation between MSEs; (iv) supply the basis for medium and large-scale enterprises; and (v) expand exports and balance preferential distribution between MSEs and higher companies. The policies and strategies emphasised the need to support MSEs through financing, training, and providing infrastructure services, among others. However, the policies did not address the innovation aspect of MSE development, meaning that owners had to take their initiative in the absence of government or NGO support (Mulu, 2009). Identifying and analysing the forms or types of support women-owned MSEs are currently given forms part of this research.

The 1997 document was followed by the MSE Development Strategy of 2011 (FeMSEDA, 2011b). The 2011 MSE development strategy mainly seeks to put in place favourable conditions to promote MSE operations. The 2011 MSE strategy mainly focuses on the rural and urban poor, unemployed, less skilled people, women and new graduates. The strategy enables these groups to come together in cooperative arrangements or associations in order to create jobs through the establishment of various MSEs (MoUDH, 2012). The strategy seeks to encourage technological transfer and inculcate modern management skills needed to make economic strides in the country (Berihu et al., 2014). The strategy prioritises focal areas to be prioritised by government with the aim of substituting imports. Such areas include manufacturing. This study focuses on MSEs in the manufacturing sector. The strategy describes the desired stage of growth of MSEs, which largely defines the support they receive.

Similarly, the strategy identifies criteria for classifying MSEs and encourages the investigation of problems they face as well as required solutions (FeMSEDA, 2011b). The revised strategy (2011) elucidates the critical importance of creating employment and increasing the number of women entrepreneurs’ participation by 50% and their transition to medium-sized enterprises (FeMSEDA, 2015). The strategy contributes to Ethiopia’s broad-based economic growth initiative (GTP) to
reduce poverty in the country. The GTP aims to accelerate MSE development to boost the economy, increase job creation and build an industrial economy. To this end, MSEs are seen as a direct response to GTP requirements. However, the strategy does not identify measures to adopt to this end. Moreover, many women-owned MSEs have not attained medium-sized company level.

Similarly, national development plans reflect the need to alleviate poverty and reduce unemployment as indicated in the GTP I (2010-2015) and GTP II (2015-2020) (Ermias, Regassa, Hassen, Yimer & Yifredew, 2017). This research examines the role of women-owned MSEs in job creation and capital accumulation. This is because women-owned MSEs are expected to reduce unemployment, increase domestic savings, increase income and reduce poverty.

Other policies consist of the accrediting and regulation of micro-financing institutions proclamation No. 40/1996 legislated in 1996 and legislation No. 33/1998 (Gebrehiwot & Wolday, 2006). The legislation paved the way for the establishment of MSE institutions or agencies that oversee MSE development and operations (FeMSEDA, 2015b). Similarly, the Industrial Development Strategy was formulated in 2003 to operationalise MSE agencies and assist them in addressing major development issues and constraints. The strategy ensures the smooth provision of infrastructure, access to raw materials, finance and other benefits to MSEs by the government (MoUDH, 2012).

**3.3.2 The institutional set-up of MSEs in Ethiopia:**

In terms of institutional set-up four main institutions that deal with MSE, issues and developing a strategy of the country as a federal level namely: FeMSEDA, MoUDH, Federal Technical and Vocational Education and Training Agency and the National Bank of Ethiopia. The duties and responsibilities of these institutions are as follows, according to the MoUDH (2012):

**3.3.1.1 The Federal Micro and Small Enterprise Development Agency (FeMSEDA)**

FeMSEDA designs short and medium-term plans; formulates guidelines and supporting frameworks used to monitor and evaluate the implementation of MSE programmes; and gathers, compiles and disseminates data and information relating to MSEs. The agency analyses the problems of MSEs and builds capacity of regional offices.
3.3.1.2 Ministry of Urban Development and Housing (MoUDH)

MoUDH carries out research aimed at improving MSEs on behalf of the government of Ethiopia. The Ministry supports the capacity-building efforts of the FeMSEDA. The Ministry achieves this through collaborating with capacity-building institutions.

3.3.1.3 The Federal Technical and Vocational Education and Training Agency

The agency gives capacity-building programmes that target teaching and research staff in TVETs. The trained staff implement different MSE programmes.

3.3.1.4 National Bank of Ethiopia

The bank formulates and oversees the implementation of guidelines concerning the disbursal of credit and mobilisation of savings; coordinates and integrates the activities of the Micro Finance Institutions (MFIs); compiles and disseminates global best practices while at the same time assisting with monitoring and supporting their adaptation and implementation. Finally, the bank helps in the building of capacity for MFIs.

The various institutions named above are expected to provide services that promote women-owned MSEs. The support and services that these institutions render to women-owned MSEs is analysed in this research. One of the duties of institutions is to define and develop criteria and classifications upon which the promotion of MSEs to the next level can be based. Based on this, Ethiopia applies three definitions when it comes to MSEs.

3.4 DEFINITION AND CLASSIFICATION OF MSES IN ETHIOPIA

The definition by CSA (2003) considers labour used by enterprises and the type of technology they apply. The definition states that: (i) handicraft and cottage industries are those in which a single person or family members perform their activities mainly by hand and using non-power-driven machineries; and (ii) small-scale manufacturing enterprises engaging less than 10 persons and using motor driven machinery. The definition ignores the amount of capital and focuses narrowly on MSEs in the manufacturing sector.
FeMSEDA (2011a), Berihu, et al. (2014) and Seyoum et al. (2016) state that the definition is based on the fact that most of the businesses use the family as their workforce and lack information relating to labour. They found that:

- evaluation of job creation was difficult as well as comparison of MSE capital with MSEs in other countries;
- experience of the entrepreneur was ignored since the basis was self-paid-up capital or credit from banks rather than paid-up capital;
- there was a failure to factor in fluctuations in inflation; and
- there was no clear information regarding the paid-up capital, a factor needed to determine the growth of MSEs. Instead, enterprise development was determined based on total assets.

The definition of MSEs was refined to address the drawbacks in previous definitions. The components of the definition are presented in Table 3.1.

Table 3.1: Components of MSE definition

<table>
<thead>
<tr>
<th>Level of the enterprise</th>
<th>Sector</th>
<th>No. of employee</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprise</td>
<td>Service (retailer, transport, hotel and tourism, ICT and maintenance service)</td>
<td>&lt;=5</td>
<td>Less than or equal to 50,000 ($USD 3,000)</td>
</tr>
<tr>
<td></td>
<td>Industry (manufacturing, construction and mining)</td>
<td>&lt;=5</td>
<td>Less than or equal to 100,000 ($USD 600)</td>
</tr>
<tr>
<td>Small Enterprise</td>
<td>Industry</td>
<td>From 6–30</td>
<td>Less than or equal to 1.5 million ($USD 90,000)</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>From 6–30</td>
<td>Less than or equal to 500,000 ($USD 30,000)</td>
</tr>
</tbody>
</table>

Source: Adapted from Berihu et al., 2014; FeMSEDA, 2011a; Seyoum et al., 2016

3.5 MICRO AND SMALL ENTERPRISE TRENDS IN ETHIOPIA

In Ethiopia, MSEs are the second largest employment-generating sector after agriculture. According to CSA (2003) studies, MSEs in Ethiopia are diverse and include three dominant types of businesses namely: crafts and trade accounting for 49%; street vending, cleaning and washing (25%); and service workers, shop and market sales workers (21%). The majority, 98% of business firms in Ethiopia are MSEs, 65% of which are small enterprises (Aregash, 2005, cited in Eshetu & Zeleke, 2008). The EMFI (2006:8) says that Ethiopian Micro-enterprises account for 97% of all manufacturing establishments and 19% of the gross value of production in the sector. Women constitute a large share of this employment. However, they have limited support to join formal
businesses or women-owned MSEs. A national survey conducted by CSA (2007) indicated that, more than 1.3 million people in the country were engaged in MSEs sector. Solomon (2010) says that small-scale industries include grain mills that account for 31%; furniture (21%) and metal products (19%). The FeMSEDA (2015a) report shows a decline in job creation by MSEs from 2005 to 2010. From 2010-2013, women suffered most with a 39.9% decline. At the country level, evidence shows the performance of MSEs and its contribution to the GDP remains obscure (Assefa et al., 2014).

According to FeMSEDA (2011a) and MoUDH (2012), evaluation of MSE activities implemented in the planning period between 1998 and 2002 indicated the following:

- about half of women benefited from the 1.5 million jobs created;
- the largest share of jobs was in the construction sector;
- MFI provided a total of USD 200 million (ETB 4 billion) in the form of a credit to MSEs;
- total of 1.2 million MSE operators took part in different training programmes;
- business development services were provided to 10 000 individuals;
- a total of 5 000 development workers and other staff were trained and deployed in 825 newly organised One-Stop Service Shops that deliver integrated services to MSEs;
- market opportunities were created;
- market access opportunities were provided through MSEs’ participation in different trade fairs and exhibitions;
- the Integrated Housing Development Programme and other government-initiated projects; created new job opportunities and introduced and developed sub-contracting methods;
- regional governments issued and implemented regulations for the procurement of goods and services by government agencies from MSEs that cost ETB 400-500 000 (USD 20-25 000). This initiative led to benefits in terms of local and foreign business linkages;
- production and sales premises: At least 8 000 production and market shelters and 380 houses were built on 34 million square metres of land;
- access to technology and improvement of working methods were provided:
- about 61 000 enterprises and individuals benefited from technological and manufacturing equipment support;
• weaving and other manufacturing machines as well as agricultural tools and equipment; including improved beehives; were distributed; and
• several implementation guidelines were developed to address various constraints faced by MSEs.

3.6 MICRO AND SMALL ENTERPRISE EXPANSION AND GROWTH TRENDS

Addis Ababa Micro and Small Enterprise (AAMSE) (2012) divides MSEs in Ethiopia into three stages, namely:

(i) The start-up stage where women need support to open business enterprises. The support can be in the form of securing start-up capital and awareness to increase business knowledge. The AAMSE analyses the nature of MSEs in terms of establishment and whether enterprise owners had prior knowledge before starting the business. The observations can be used to determine why women enterprises remain largely at the survival stage;

(ii) The growth stage seeks to analyse how women can improve their operations by using state resources. The outcome of effective use of resources allocated to women enterprises exhibits themselves in terms of improved quality of products, an increase in the number of workers, competitiveness, and asset accumulation. AAMSEA (2015) and FeMSEDA (2015b) emphasized the assets of the firm. To this end, the study evaluates women-owned MSEs in terms of several workers, the technology used as a determinant of product quality, and accumulated capital investment.

(iii) The maturity stage looks at the ability of firms to become medium-sized and large manufacturing industries that can increase profitability due to expanded market demand locally and internationally. The study analyses constraints to women-owned MSEs that impede expansion possibilities. There are other dimensions to defining the criteria for the transformation of MSEs. For instance, Oppong, Owiredu and Quarmyne (2014) say that the power motive and increase in workers is an influence factor. Women-owned MSEs are analysed in terms of their implementation and attainment of these aspects.

Therefore, measurement of firm transformation is done based on indicators like total assets, level of profitability, modern efficient technology, state support, productivity level of firms, yearly sell,
corporate responsibility, job creation and the existing governance structure (AAMSEA, 2015; FeMSEDA, 2015b). The study compares start-up capital and current capital of women to determine whether enterprises are growing in the desired direction. If firms borrow from lending institutions, they need a constitution or founding document before this will be considered. According to Berihu et al. (2014), the inability of firms to access loans negatively affects MSE transformation. FeMSEDA (2013) concurs with this notion and states that only 1% of MSEs in Ethiopia graduate to the next level annually.

3.7 CHALLENGES OF MICRO AND SMALL ENTERPRISES IN ETHIOPIA

The GoE has instituted a favourable policy landscape to promote the development of MSEs. Despite this, the country still grapples with several constraints that need addressing (Singh, 2008). The study analyses problems facing women-owned MSEs. Arega et al. (2016) state that external and internal constraints affect MSEs. These can be policy, structural and institutional as well as MSE-induced problems (Bekele & Zeleke, 2008). These factors can result in the collapse of women enterprises (Arega et al., 2016). On the other hand, some scholars consider only external pull instead of internal push factors (Yehualashat & Chiloane-Tsoka, 2015). The study analyses the role played by government agencies like FeMSEDA, AAMSEA bureau and related decentralised woreda offices and Women’s Associations.

There are also constraints relating to finance and credit (Asgedom, 2016; Gobena & Amare, 2016; Mulu, 2009). The study identifies how many women were able to access credit from banks and MFIs. There are scholars who look at MSE problems from the perspective of lack of access to land, market and working premises (Gobena & Amare, 2016). The study seeks to identify whether a wide range of marketing mechanisms are in place to improve the financial status of women-owned MSEs. Similarly, the nature of sheds or workspaces in Nefas Silk Lafto and Kolfe Keranio is examined. The World Bank (2008) and Mulu (2009) state that lack of or irrelevant training, poor infrastructure and services cripple MSE operations. These coupled with credit issues affect firms’ innovation abilities and result in slow growth or stagnation (Mulu, 2009). This is worsened by unfavourable working procedures that make the processing of work permits difficult (World Bank, 2008).
Management constraints relate to poor collaboration between governments, internal agencies and the private sector (Yehualashat & Chiloane-Tsoka, 2015). Managerial aspects in this study relate to educational background, skills and experience of women in operating MSEs. This is because management failures in the MSE sector, specifically manufacturing, can result in low competitiveness as firms may not internationalise (produce for expert) but rather remain focused on limited local markets. This means firms remain at the micro level with limited potential to transform into big companies that can compete locally and internationally. Wodneh (2005) concurs with this notion. MSEs’ advancement of over the past decades in Ethiopia has been slow since they largely remain unchanged in their how they operate. According to Issays (2005), the challenges of MSEs in Ethiopia need to be tackled head-on. The study analysed the support given to women-owned MSEs to alleviate these barriers. Government studies indicate the need to support MSEs to become export-oriented firms in order to create more jobs (MoUDH, 2013). Emphasis is given to the manufacturing sector, which is the focus of the study.

### 3.8 RESEARCH SETTING

Conditions of women-owned MSEs in Nefas Silk Lafto and Kolfe Keranio sub-cities need to be seen against the background of Addis Ababa city as a whole. This is because the policy and structural issues that influence activities of women’s economic activities at lower levels (sub-cities) are cascaded from or formulated within the general city framework. In addition, problems of Addis Ababa as a city could have cumulative negative effects that affect MSE development in the study area. The city, in association with other partners, has committed to full implementation of MSE policies to address economic problems of social groups including women (MoFED, 2010). This was made more operational in 2013 when the Ministry of Urban Development and Housing stepped up the fight to alleviate unemployment (MoUDH, 2013). Similarly, FeMSEDA aligned its actions in Addis Ababa to actualise the city’s vision of increasing jobs among women and other social groups (FeMSEDA, 2015b). The study of women and women-owned MSEs directly contributes to city-wide economic development programmes to reduce unemployment. However, CSA (2010) projected sharp increases in Addis Ababa’s unemployment rate of up to 31.5% among vulnerable groups like women.

Tackling MSE challenges requires a well-devised governing structure. Currently, there are two branches established by Addis Ababa Trade and Industry Development Bureau that deal with
MSEs. One department focuses on the development of enterprises and has three primary departments – the MSE Development, Marketing Research and Promotion Department and Cooperatives Promotion and Controlling Department (FeMSEDA, 2015b). Due to the need to reach out to women in their local areas, the MSE structure is decentralised to all sub-cities of Addis Ababa. To ensure effective implementation of MSE programmes, an autonomous institution, the Addis Ababa MSE Development Bureau, was established in 2009. The institution is directly answerable to Trade and Industry Development Bureau of Addis Ababa City Administration. Technically, the institution reports to FeMSEDA.

Further decentralisation of MSE services is reflected in the 10 branch offices, which are organised according to the Addis Ababa City Administration structure, directly reporting to the Bureau. MSE development offices are established in each woreda to assist the 10 branches in MSE matters. This ensures access to MSE services and activities within or close to the localities of women. The current structure operates within the ambit of the MSEs strategic plan of Addis Ababa and other policies have empowered women towards economic independence (FeMSEDA Gender Audit Bureau, 2013). A study conducted by AAMSE indicates that over 30 000 MSEs were established in Addis Ababa alone between 2004-2015 (AAMSEA, 2015). The distribution of active MSEs in the study areas was as follows: 3 025 (micro) and 330 (small) in Kolfe Kernio, whereas in Nefas Silk Lafto, there were 2 341 MSEs and 407 small firms (AAMSEA, 2015). However, some firms could not survive (FeMSEDA, 2015b). The situation is dire for MSEs in the manufacturing sector that constitutes only 24% of over 25 000 that were active by the end of the year 2015 (AAMSEA, 2016). The current study analyses problems of women-owned MSEs such as those relating to family and or societal burdens that directly affect MSE operations.

The picture of MSEs disaggregated according to gender indicates that men owned more MSEs than women as shown in Table 3.2.

Table 3.2: Number of women’s MSEs in Addis Ababa

<table>
<thead>
<tr>
<th>Type of Enterprise</th>
<th>Micro</th>
<th>Small</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>9 142 (40%)</td>
<td>393 (17%)</td>
<td>9 535 (37.54%)</td>
</tr>
<tr>
<td>Men</td>
<td>13 870 (60%)</td>
<td>1 909 (85%)</td>
<td>15 779 (62.12%)</td>
</tr>
<tr>
<td>Total</td>
<td>23 012</td>
<td>2 302</td>
<td>25 314</td>
</tr>
</tbody>
</table>
Women manage to establish MSEs due to assistance offered to them by the AAMSE Office. The support includes: (i) initiating and supporting women networks or groups; (ii) assisting the Women Exporters Association; (iii) assistance to the Women Entrepreneurs Association; (iv) assisting women to form unions in some sectors; (v) selecting the best performing women-owned MSEs to share experience with other MSEs; and (vi) forming job creation teams targeting the unemployed women. The existence of women-owned MSEs will depend on sustained effort to extend more support to women. The support given to women-owned MSEs by government and other players needs to be identified and evaluated.

3.9 LOCATION OF KOLFE KERANIO AND NEFAS SILK LAFTO SUB-CITIES

Kolfe Keranio and Nefas Silk Lafto sub-cities are located on the outskirts of Addis Ababa city. Nefas Silk Lafto borders Kolfe Keranio, Lideta, Kirkos, Bole and Akaki Kality sub-cities of Addis Ababa. Kolfe Keranio borders Gullele, Adddis Ketema, Lideta and Nefas Silk Lafto sub-cities of Addis Ababa (see Figure 3.1). The strategic location of the two sub-cities has led to the rapid development of urban formations and activities in inner sub-cities. Women-owned MSEs can only cope with such urban dynamics if their conditions are properly understood and appropriate support is given to them.

The two sub-cities were selected due to their strategic location. The sub-cities exhibit rural characteristics where most women derive a livelihood. However, due to rapid expansion Addis Ababa city, the sub-cities have experienced an increased population. This has rapidly changed the ways of life of people in these sub-cities. As the area continues to urbanise, women may find it difficult to cope with new lifestyles and economic activities that have become predominantly urban. Even though Addis Ababa MSE policies are inclusive of all social groups like women, the capabilities of women across sub-cities differ due to variations in urban development. Women in the still developing sub-cities require special attention in terms of how they are being absorbed into MSE programmes. This may not be a big problem for women in other sub-cities such as Bole.
It is hoped that through a thorough investigation using a qualitative approach, the study will inform readers of women’s conditions and how they are faring in terms of implementing MSEs. Of interest in this research is the background information of these women. The education level and other aspects of women who own MSEs can be deciding factors as to whether social groups are relatively less developed areas of urban centres that need economic development. In addition, the research examines the nature of women’s firms in terms of critically important features that can determine
their transition to next level. Although support has been given to MSEs countrywide, it makes sense to analyse whether women who are transforming from rural lives to purely urban environment have had access to different forms of assistance. Finally, the success of MSEs and indeed other forms of economic activities depend largely on access to location and access to markets. The research hopes to highlight the barriers that women who operate in peripheral areas with less developed infrastructure and services experience. This may be so considering the fact women operate under increasing urbanisation pressure from incoming businesses that push rent prices far higher than the MSEs’ capacity to pay.

There are 2 655 manufacturing MSEs in Kolfe Keranio sub-city (2 426 micro and 229 small) whereas 2 364 (1 626 micro and 738 small) manufacturing MSEs are located in Nefas Silk Lafto sub-city (Mulu & Abebe, 2017). The data does not specify which MSEs belong to women. However, a survey on general MSEs conducted in 2015 by AAMSEA indicated that men owned more MSEs than women. Of the total 25 314 active MSEs throughout Addis Ababa city, women’s 9 535 (37.54%) whereas the majority, 15 779 (62.12%) were under ownership of men (AAMSEA, 2015).

3.10 CHAPTER SUMMARY

Ethiopia has put in place a policy and strategic framework to promote MSEs. The policy landscape and related strategies seek mainly to reduce unemployment and alleviate poverty in rural and urban areas. Despite success in reducing the unemployment problem among social groups like youth, challenges remain for women’s MSEs. One of the gaps identified is lack of clear focus on women-specific issues in the current policy and strategic support given to MSEs. For example, the attainment of the envisioned 50% allotment to women is yet to materialise, although steps are under way to rectify the anomaly. MSEs are constrained by governance structure issues outside government existing arrangements where private sector contribution remains minimal. The private sector plays a crucial role in MSE development. At a managerial level, coordination problems still exist among government, internal agencies and private sector. Acquisition of work permits is a problem due to lengthy procedures. Finally, the government provides sheds and sites where women operate. The problem remains that of location and pricing issues.
The issues highlighted in the chapter dictated the use of the methods explained in the proceeding chapter. The researcher sought to gain an in-depth understanding of women-owned MSEs. To this end, the research opted for a qualitative approach to generate information deemed appropriate to describe women circumstances. The next chapter explains the methodology used to conduct the research and how the method was selected to find effective and reliable answers to the research questions and meet the research objectives.
CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

The chapter explains the methodology used to conduct the research. To this end, several research design components, namely, type of research and research approach adopted, data sources and data collection instruments as well as data analysis are explained. The chapter concludes by identifying the ethical considerations adopted in this research. The methodology presented in this chapter was based on the purpose of the research. The research explored factors affecting women-owned MSEs in the manufacturing sector in two sub-cities located in Addis Ababa city namely: Kolfe Keranio and Nefas Silk Lafto. The research was guided by three main questions:

(i) What are the nature of women’s MSEs in the manufacturing sector in Kolfe Keranio and Nefas silk Lafto sub-cities of Addis Ababa?
(ii) What mechanisms are in place to support women’s MSEs in the manufacturing sectors?
(iii) What major problems do women-owned MSEs in the manufacturing sector face?

To obtain information to answer the questions, the research used multiple methods. In-depth interviews were conducted with women-owned MSEs in the manufacturing sectors in two selected sub-cities. The researcher planned to interview 17 women who owned MSEs in the manufacturing sector selected from the two sub-cities. However, many women-owned MSEs were not willing to participate in the study due to on-going political problems. In the end, 11 women that agreed to be interviewed were included in the study. Table 4.1 indicates the MSEs included in the study.

Table 4.1: Type and number of women-owned MSEs that participated in interviews

<table>
<thead>
<tr>
<th>Type</th>
<th>Location/Sub-city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather</td>
<td>1 Nefas Silk Lafto</td>
</tr>
<tr>
<td>Leather</td>
<td>1 Kolfe Keranio</td>
</tr>
<tr>
<td>Food</td>
<td>1 Kolfe Keranio</td>
</tr>
<tr>
<td>Textile</td>
<td>1 Nefas Silk Lafto</td>
</tr>
<tr>
<td>Textile</td>
<td>1 Nefas Silk Lafto</td>
</tr>
<tr>
<td>Food</td>
<td>2 Nefas Silk Lafto</td>
</tr>
<tr>
<td>Soaps and detergents</td>
<td>2 Nefas Silk Lafto</td>
</tr>
<tr>
<td>Textile</td>
<td>2 Kolfe Keranio</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Compiled by the researcher during interviews February 2018
Semi-structured interviews were also conducted with key informants from government offices (directors, sub-cities officials, gender office workers with women’s MSEs and women-owned MSEs coordinators). Furthermore, visits were made to the sites and direct observation was used to collect information on the working environments in which women operate. Similarly, the researcher undertook a document review to supplement primary data collected.

In-depth interviews were conducted with women who managed MSEs to understand what form of support they receive from authorities (government) and related agencies such as women’s associations, non-governmental organisations (NGOs) and community-based organisations (CBOs) among others. Similarly, the researcher interviewed government experts working with MSEs at Federal level to understand how they are supporting and developing strategy of MSEs. Review of documents was done to crosscheck responses from women-owned MSEs and experts regarding the forms of support.

The three government offices from which information was gathered through interviews were:

1. The Federal Micro and Small Enterprise Director’s office

Three experts tasked with MSEs, MSE policy formulation and implementation and monitoring of day-to-day activities of women-owned MSEs were interviewed. In addition, MSE gender officers were interviewed. The researcher used semi-structured interviews to gather information from the experts.

2. Addis Ababa Micro and Small Enterprises

MSE services and tasks are decentralised to sub-city level. The research was conducted in two sub-cities, namely, Kolfe Keranio and Nefas Silk Lafto designated under Addis Ababa MSEs. The research used structured interviews to gather information from the officers in charge of MSEs at Addis Ababa level.

3. Kolfe Keranio and Nefas Silk Lafto Sub-City Micro and Small Enterprise Office

Structured interviews were used to gather information from the two MSE officers located in the two sub-cities (study area). The focus was on the trends in women-owned MSEs. Similarly, the officers provided basic information regarding women-owned MSEs in the manufacturing sector.
Besides, five experts and other government employees working at different levels were interviewed. Table 4.2 indicates the sectors from experts were drawn.

Table 4.2: Sectors from which government respondents were drawn

<table>
<thead>
<tr>
<th>Sector/Office</th>
<th>No of key informants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert from FeMSEDA</td>
<td>1</td>
</tr>
<tr>
<td>Addis Ababa MSEs Development Agency</td>
<td>1</td>
</tr>
<tr>
<td>Women’s MSEs Office (Gender office)</td>
<td>1</td>
</tr>
<tr>
<td>Kolfe Keranio Sub-city women’s MSEs representatives</td>
<td>1</td>
</tr>
<tr>
<td>Nefas Silk-Lafto Sub-city women’s MSEs representatives</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Source: Compiled by the researcher, February 2018

Secondary data was gathered from all relevant government offices, particularly FeMSEDA and Addis Ababa MSEs. The data collected dated from 2005-2016 and were used to present historical facts and analyse the trends regarding MSEs in Ethiopia. Data concerning the nature of MSEs was extracted from FeMSEDA and Addis Ababa Micro and Small Enterprise Development (AAMSED) office compiled in various reports.

The researcher revisited the objectives after data analysis and made minor modifications based on data gathered.

**4.2 RESEARCH APPROACH**

The research was mainly qualitative although secondary data (with figures) were used to supplement interview results. Since the research was mainly qualitative and sought to understand problems and other issues of women-owned MSEs, the researcher adopted phenomenological methods. The methods were suited to the research as the aim of the research was to explore and gain a deeper understanding of the lived experiences of women who own and manage MSEs in the manufacturing sector as well as the government entities that support these MSEs. Smith and Smith (2018) say that the phenomenological method is appropriate for exploring and understanding the lived experiences of individuals or groups of individuals about a phenomenon.

To this end, women who own, operate and manage MSEs are regarded as unique whose business characteristics and elements of operation require exploration. Similarly, government entities
working with women-owned MSEs are regarded as respondents who understand the operational nature of MSEs and how they have adapted to various circumstances enabled by policies and other forms of support.

To understand the experiences of women engaged in MSEs under the manufacturing sector and experts from various government offices, interviews were conducted. The interviews conducted with experts contained semi-structured questions seeking them to give their suggestions, experiences, opinions and explanations about women-owned MSEs.

Interviews of this nature were used by the researcher because a knowledge gap exists regarding the nature of women-owned MSEs and the problems and support that MSEs receive. The researcher decided to use interviews because an interview is the most common tool used in qualitative research and it is important to explore the views, experiences, beliefs and motivations of individual participants (Gill, Stewart, Treasure & Chadwick, 2008). According to Genise (2002) and Schneiderman and Plaisant (2005), the main advantage of interviews is that of obtaining detailed information from a few participants to gather rich and detailed data.

Interviews guided by open-ended questions allow researchers to explore in detail the issues of women-owned MSEs. This is because the experts are knowledge-rich and illuminative about women-owned MSEs. Their knowledge about the context of MSEs, in general, aided the researcher to gain a deeper understanding of women’s MSE issues.

Although lived experiences among women who own MSEs were gathered through interviews, their nature differed from those used to gather experiences of experts i.e. structured interviews. To this end, to gather the lived experiences of women who own and manage MSEs, the researcher used unstructured interviews focusing on themes identified before the research. The researcher needed to understand the nature and problems of women-owned MSEs as well as the support they receive. Unstructured interviews aided the gathering of information from women-owned MSEs in a conversational way. Therefore, in-depth interviews involving gathering information based on identified themes aided the researcher in an understanding of women’s MSEs circumstances critical to their survival and expansion. In addition, the researcher used personal observation to vividly see women’s MSE operations, production systems and problems relating to workspace and technology among others. All the interview guides from the key informants, the Kolfe Keranio
and Nefas Silk Lafto sub-cities, MSE officials, women’s MSEs gender officers and government officials are provided in Annexures 2 to 5.

4.3 RESEARCH DESIGN

Research design aids researchers in collecting, measuring and analysing data. To this end, the researcher found it necessary to devise a strategy to connect the research question(s) set prior to the study and data collection by developing appropriate tools and procedures to answer the research questions. Undertaking such a process is important for a research design and strategy (Babbie, 2013; Punch, 2014). The research used an exploratory research design. This is because Ethiopia has been implementing MSE strategies yet there is very limited information regarding women’s participation in MSEs in big urban centres like Addis Ababa. Grey areas that need exploratory research to generate knowledge are the nature of women’s MSEs (establishment, operation and technology used); problems they face including constraints in transforming into medium or large-sized companies and forms of support they receive. It is this lack of knowledge about women-owned MSEs and the need to create a basis for further studies that compelled the researcher to adopt an exploratory research design.

Exploratory studies guide a better understanding of the phenomenon under study and are a basis for developing methods to be used in subsequent studies (Babbie, 2013). In this case, information on women enterprises in Ethiopia is still lacking.

To generate information to enhance understanding of women-owned MSEs, the researcher focused on MSEs in the manufacturing sector. Addis Ababa has about 25,900 MSEs some of which are owned and managed by women entrepreneurs. Given the purpose of the research (to understand women-owned MSEs) and the subsequent research type selected (exploratory), the researcher opted for methods that are deemed appropriate for generating information regarding women-owned MSEs in the study area. The research design is depicted in Figure 4.1.
4.4 POPULATION

The target population of this research was women-owned MSEs found in two selected sub-cities (Kolfe Keranio and Nefas Silk Lafto) out of the ten sub-cities in Addis Ababa. A decision was made regarding the types of women-owned MSEs to include in the manufacturing sector. To this end, the population of manufacturing MSEs as categorised in the country was identified. Some subsectors were selected from the many manufacturing subsectors. A population is a large pool of cases or elements from which the sample is drawn (Neuman, 2006). This includes textiles and garments, leather products, food processing and beverages, woodwork products, soaps and detergents, metalwork and engineering and prefabricated construction material. The researcher included textiles and garments, leather products, food processing and beverages and soaps and detergents. Most women own and manage MSEs in these subsectors of manufacturing. Woodwork products, metalwork and engineering, and prefabricated construction material, which are categorised under manufacturing, were not included in this research. Women are not concentrated in these manufacturing sub-sectors.

In addition, the staff of FeMSEDA, experts from the women-owned MSEs Agency (policymaking office located at Addis Ababa) and experts from AAMSEA Agency were included in the study.
4.5 SAMPLING

Purposive sampling was used to select women-owned MSEs. Purposive sampling is a type of non-probability sampling in which the units to be found are chosen primarily based on the researcher’s judgement about which people will be the most beneficial representatives (Babbie, 2013).

Firstly, the MSEs that were studied had to be owned and managed by women. Secondly, they had to be manufacturing in nature falling under the category of textile and garments, leather products, food processing and beverage and soaps and detergents. Manufacturing was selected, as many women-owned MSEs are concentrated in the sector. Moreover, the manufacturing sector is currently emphasised by the GoE as a basis for the industrialisation drive in the country. There are 2 655 manufacturing MSEs in Kolfe Keranio sub-city (2 426 micro and 229 small) whereas 2 364 (1 626 micro and 738 small) manufacturing MSEs are located in Nefas Silk Lafto sub-city (Mulu & Abebe, 2017). From the selected sub-cities, only 228 participated in the selected manufacturing sub-sectors (textile & garments, food processing & beverages, leather and leather product, and soaps and detergents) and run their businesses alone. The data obtained from the updated list of MSEs from the FeMSEDA and AAMSEA indicated that women in the selected sub-cities mostly own MSEs in the textile and garments, food processing and beverages, leather and leather products, and soaps and detergents subsectors. To this end, only women-owned MSEs under the above categories were included in the study. The final list of MSEs that participated in the interviews depended on their willingness. This meant there was a possibility that MSEs from the different types of manufacturing entities included in the study might or might not appear in the results. Despite this anticipated limitation, the researcher aimed to achieve a representation of all the firms within the manufacturing sector. Thirdly, the MSEs had to be operational and existing in both selected sub-cities. Fourth, the selected MSEs had to be operating in public or government premises.

Similarly, purposive or theoretical sampling was used to select government experts or employees, as they are illuminative and knowledge rich regarding MSE operations. Key informants were from selected MSEs strategy and related implementing agencies and offices. Experts were drawn from offices dealing with women-owned MSEs, FeMSEDA and Women’s Development Associations.
4.6 DATA COLLECTION INSTRUMENTS

This subsection explains the data collection instruments used to gather both primary and secondary data from various sources. Four data collection tools were used, namely, in-depth interviews and semi-structured interview, direct observation and document review. In-depth interviews were used to collect data from women-owned MSEs; semi-structured interviews were used to interview government officials; direct observation was done by the researcher to look the actual operation of women-owned MSEs; and secondary data and documents were reviewed.

Information expectations from target groups are indicated in Table 4.3.

Table 4.3: Information expected from target groups

<table>
<thead>
<tr>
<th>Target group</th>
<th>Information</th>
</tr>
</thead>
</table>
| Food processing and beverage, Textile and garment and Leather and leather products MSEs owned and operated by women in Kolfe Keranio and Nefas Silk Lafto sub-cities | 1. Nature of women-owned MSEs, problems women-owned MSEs face and opportunities:  
   • information on the nature of their enterprises  
   • information regarding their enterprises  
   • information regarding financial status and ownership  
   • information on the challenges in the operation of their enterprises  
  2. Social, economic political and environmental problems  
   • information regarding what opportunities and benefits that gain on their participation on the MSEs  
   • information that what problem face to develop their enterprise in the next level  
   • information on legal and political factors to establish women-owned MSEs  
   • Experiences in running an MSE as a woman owner |
| FeMSEDA experts and related offices in the selected sub-cities               | Policy and strategy experience regarding Ethiopian women-owned MSEs specially manufacturing sectors  
   • Support initiatives to women-owned MSEs in the manufacturing sector  
   • Experience of the participation of women-owned MSEs in Manufacturing sectors  
   • Relationship between different players  
   • Women’s MSEs growth trends, sustainability aspects of MSEs, MSEs strategy implementation issues (challenges, problems and |
4.6.1 Interviews

Bearing in mind that the research is mainly qualitative, the research opted for the use of in-depth interviews to gather data from selected women-owned MSEs and experts from various government offices working with MSEs. Before actual interviews were conducted with women who own and manage MSEs in the two sub-cities the following steps were taken:

In-depth interviews were used to collect data from 11 women’s MSEs as well as experts selected from various government offices. Specifically, unstructured, in-depth interviews using questions built around broad themes were used to gather data from women’s MSEs. In-depth interviews are a qualitative research method and their goal is to explore new issues in depth. The in-depth interview is a primary qualitative data collection method that allows and helps the interviewer to listen to interviewees’ concerns (Babbie, 2010). In-depth interviews were used to gain a deeper understanding of women’s manufacturing MSEs on various aspects like the nature of MSEs, problems and support they received. Themes were generated on specific women’s MSEs issues to allow them to narrate their experiences, feelings, viewpoints or perspectives about their business enterprises.

The researcher engaged in the following activities to conduct quality in-depth interviews that aided answering of the research questions set in this study:

- The research identified information required from women-owned MSEs such as operations, work environment and technology used;
- Contact was made with MSEs’ implementing agencies and offices. During this process, a list of MSEs in the manufacturing sector was compiled;
- Manufacturing MSEs owned and operated by women in Kolfe Keranio and Nefas Silk Lafto sub-cities in Addis Ababa were identified with the help of implementing experts and residents;
- The research asked consent from MSE owners to participate in the interviews;
• Eleven women who were willing to participate in the interviews were identified;
• Themes or broad areas or questions raised during the interviews were establishment of MSEs, operation of MSEs, support given to MSEs, employment creation and expansion possibilities and finally problems of MSEs.
• Interview questions were drafted and piloted on four MSEs in a different sub-city to ensure that the questions would achieve the purpose of answering the research questions. This resulted in the modification of questions under each theme. Similarly, interview questions designed for experts were piloted with some key informants. The interviewees were informed of the purpose of the pilot study.

During the in-depth interviews, five interviews were recorded, whereas the remaining six women asked the researcher to take notes rather than recording. The researcher took all the notes of the in-depth interviews with the help of a research assistant. Each interview lasted for about 40 minutes. The researcher conducted three interviews on average per day, as there were interruptions from MSE staff and customers seeking clarity on some issues regarding the goods and services offered or general managerial functions. The interviews took place at the premises of the MSEs, particularly, in the space allocated to them in the buildings where the MSEs were located. In-depth interview with women MSEs were done by Amharic.

Similarly, semi-structured interviews were conducted to gather information from experts. According to Merriam (2009), semi-structured interviews include asking open-ended questions on specific issues of interest. Semi-structured questions encouraged experts to give different perspectives in terms of opinions, perceptions, suggestions and viewpoints about MSE-related issues. The interviews took place in the offices of the respondents and each interview lasted for an hour on average. The researcher herself typed up the written notes each day after the interviews were conducted. Experts and MSE-related government employees interviewed were the FeMSEDA Director, a FeMSEDA gender expert, an MSE expert, and two sub-city experts in Addis Ababa.
4.6.2 Direct Observation

A field visit was made to the study area to ascertain the location of women’s MSEs. Most of the MSEs are in government-constructed and -owned structures and buildings. Women-owned MSEs were identified with the help of government field officers from the study area.

The researcher observed six women-owned MSEs located in the Kolfe Keranio and Nefas Silk Lafto sub-cities. The observation was done by the researcher and a research assistant. Instead of asking questions, the researcher observed the location and premises of women’s MSEs. Accordingly, aspects such as lack of storage space, production space, availability of their products and locations were observed.

4.6.3 Document Analysis

Secondary data included updated data on MSEs from FeMSEDA and various official government documents from the sub-cities in the study area and Addis Ababa city. Secondary data was useful as it was not only used to triangulate the results from the interviews and other data but provided quantifiable data that were used to clarify certain issues in the study. The document review also involved a review of other GoE official government documents such as the Ethiopian Micro and Small Enterprise Development Sector Annual statistical bulletin, quarterly and annual reports authored by the FeMSEDA and AAMSED. The research identified areas of the research that required secondary data such as the number of registered MSEs, operational MSEs, jobs created by MSEs and budgetary allocations to MSEs among others.

4.7 DATA ANALYSIS

This subsection explains how the collected data were analysed. The actual analysis of the data gathered through various methods is presented in Chapter 5. Qualitative data gathered through in-depth interviews from women who own and manage MSEs and qualitative data gathered from experts using semi-structured interviews were analysed using thematic data analysis. Thematic data analysis allows the researcher to see and make sense of collective or shared meaning and experience (Gibbs, 2018). Through thematic data analysis, the researcher identified how the themes related to the research questions. Themes were identifying by scrutinising the transcribed data. Codes were given to the various themes identified. The researcher used a table to visualise
the coded themes to determine, for instance, which was the major problem, support and characteristics of MSEs.

The researcher followed the steps listed below to analyse the thematic data.

- **Transcriptions**: The researcher transcribed the interview data into written structure to behavior a thematic analysis. Then, the researcher cautiously and attentively examined and re-read the transcriptions to familiarise herself with the content material thereof. Besides, the in-depth interview data were translated by professional data translator.
- **Coding**: Coding in the thematic information evaluation is the system of figuring out subject matters or ideas that are in the information (Braun & Clarke, 2013). In this step, the researcher sought information that addressed the research questions of the study and generated an initial listing of ideas about the data.
- **Searching of themes**: This involved sorting different codes into potential themes and collating all the relevant coded data extracts within the transcripts. Therefore, the records were analysed by forming classes or categories from similarly coded data.
- **Reviewing potential themes**: During this process, the researcher revised the themes developing them in relation to the coded data. This process helped with checking quality, defining and naming the themes.
- **Producing the report**: During this remaining stage of thematic data analysis, the researcher produced a report.

**4.8 ETHICAL CONSIDERATIONS**

In this research, five ethical considerations were implemented:

Firstly, permission was sought from the authorities in the two selected sub-cities to conduct the study. The researcher faced a problem as the authorities felt that permission had to be given by the MSEs. Explanation was given that the authorities had to know about the study and that the researcher was undertaking research in their areas of administrative jurisdiction. The researcher ensured that all women-owned MSEs in the research were aware of the targets and nature of the research to voluntarily determine whether they should participate or not. In addition, the researcher shared a brief summary of the background to the proposed study and its objectives with the Director of FeMSEDA, MSEs sub city officials who were working closely with women-owned
MSEs, Officials, and MSE experts from the gender office before the interviews, and asked them to sign their informed consent forms. In addition, a formal application was made to the relevant department at UNISA for ethical clearance to conduct the study (Appendix 1).

Secondly, a discussion with participants was done before actual data collection. This was done to ensure that they understood the purpose of the study to be conducted. The study was conducted during a time of political crisis that involved demonstrations in many parts of the country. The researcher wanted to allay the fears of women who owned MSEs by explaining that the research had no relationship to the current political situation. Despite the effort, many MSEs were wary of the discussion or declined to be interviewed.

Thirdly, consent from women-owned MSEs was secured though verbally agreeing to take part in the interviews. MSEs would not give written consent. Before the actual interviews, participants were reminded that they needed to agree to be interviewed. The researcher conducted the interviews a few days after soliciting verbal consent when the idea of the research was fresh in their minds.

Fourthly, names of MSEs that took part in the interviews were withheld and their responses mixed with others so that no one could identify individual responses now or in the future. Women-owned MSEs asked about how this was to be achieved. Agreement was reached not to indicate personal business names, not to take photos of items’ trademarks, to avoid naming specific buildings or floors in the buildings where they operated and finally to exclude the physical addresses such as street names, block numbers and stall numbers. No names of MSE owners were included. But they are allowed to take general pictures that shows the work area situations.

Finally, consent was sought from interviewees to participate (Appendix 2). Information was provided in writing to explain the aspects of the study and ask participants for their voluntary agreement to participate (Neuman, 2011). Second, interviewees were informed that they had the right to withdraw from the study at any time before or during interviews. Third, the identity of interviewees (key informants and MSEs) and MSEs names were kept confidential. To this end, codes were used, and responses mixed so that it is not possible to trace individual key informants, MSEs interviewees or individual MSEs responses.
There were a few challenges in collecting the data; for example, some women-owned MSEs were not willing to be interviewed because they were afraid of questions that might be critical of the government while others saw the research as politically motivated even though explanations of the purpose of the research were provided. After additional discussion and explanations by the sub-city officer and the researcher on the aim of the research, some women changed their minds and were willing to participate in the research. Another challenge was that the researcher had to reschedule interview appointments two or three times in order to take the women’s other family responsibilities into account – this delayed the collection of the data. The researcher also had a problem in finding secondary data relating only to women-owned MSEs. All the data were combined with MSEs owned by men or by families, which required spending extra time to separate the data.

The research included the following stakeholders: Women-owned MSEs, Government Officials, Federal MSEs officers, Addis Ababa MSEs officers, the two selected sub-city MSE officers, and gender officers of MSEs as research participants to collect different views and perspectives and triangulate information. Secondary data were used to triangulate the results from the interviews.

**4.9 CHAPTER SUMMARY**

The chapter has explained the design and the methodology used in this research. The qualitative research design was based on the purpose of the research. To obtain information about the topic, the researcher used multiple methods. In-depth, unstructured interviews were conducted with women-owned MSEs in the manufacturing sectors. Semi-structured interviews were also conducted with key informants from government offices. Visits were made to the sites and direct observation was used to collect information on working environments in which women operate. Finally, the researcher undertook a document review to supplement the primary data collected. The next chapter presents an analysis and discussion of the research findings, and how they relate to the literature.
CHAPTER 5: FINDINGS AND ANALYSIS

5.1 INTRODUCTION

In this chapter, data are presented, analysed and discussed. The need to understand women-owned MSEs’ issues in the manufacturing sector necessitated the use of multiple sources. The results were obtained by interviewing 11 women who own and manage MSEs in the two sub-cities of Nefas Silk Lafto and Kolfe Keranio. Furthermore, responses from experts in MSE-related government offices, observation and secondary data were used to answer the research questions and achieve the research objectives as follows:

- To assess the nature of women-owned MSEs in the manufacturing sector in Kolfe Keranio and Nefas Silk Lafto sub-cities.
- To examine the support women-owned MSEs in the manufacturing are receiving from government and other organisations.
- To explore problems of women-owned MSEs in manufacturing sectors in Kolfe Keranio and Nefas Silk Lafto sub-cities.

5.2 BACKGROUND INFORMATION

The background information of MSEs in terms of age, marital status, education, number of years in operation, duration of stay, attachment to associations, capital, number of employees, dependents and work arrangements is explained in this section. All participants were married, had a family to support, and most of them were high school graduates. The average age of the participants was 40, ranging between 35–45.

5.2.1 Interviewed women-owned MSEs types and their location in Addis Ababa

Of the total MSEs interviewed, six were located in Nefas Silk Lafto and the remaining five were found in Kolfe Keranio. The women-owned MSEs were categorised into leather; food and beverages; textiles and soaps and detergents as indicated in Table 5.1.
Table 5.1: Type of women-owned MSEs and their location

<table>
<thead>
<tr>
<th>MSE Manufacturing Subsectors</th>
<th>No. of MSEs</th>
<th>Sub-city/location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather</td>
<td>1</td>
<td>Nefas Silk Lafto</td>
</tr>
<tr>
<td>Leather</td>
<td>1</td>
<td>Kolfe Keranio</td>
</tr>
<tr>
<td>Food</td>
<td>1</td>
<td>Kolfe Keranio</td>
</tr>
<tr>
<td>Textile</td>
<td>1</td>
<td>Nefas Silk Lafto</td>
</tr>
<tr>
<td>Textile</td>
<td>1</td>
<td>Kolfe Keranio</td>
</tr>
<tr>
<td>Food</td>
<td>2</td>
<td>Nefas Silk Lafto</td>
</tr>
<tr>
<td>Soaps and detergents</td>
<td>2</td>
<td>Nefas Silk Lafto</td>
</tr>
<tr>
<td>Textile</td>
<td>2</td>
<td>Kolfe Keranio</td>
</tr>
<tr>
<td><strong>Total 11</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Interview results with women owners of MSEs, February 2018

5.2.2 Age of Respondents

Women-owned MSEs have the potential to expand if the owners are still productive. In Ethiopia, the productive-age category comprises those persons from 15 to 64 years of age. This fits into the UN gender profile of Ethiopian women of 15-65 productive working groups (UN, 2014). All the women-owned MSEs owners fell under this category. For this study, the age of respondents ranged from 25 to 41 years. The average age of the women was 29.

5.2.3 Marital Status

The marital status of women can be an indicator of whether they have enough time to commit to the business enterprises. Married women engage in a wide range of productive and reproductive chores that may limit their commitment to MSEs activities. All 11 participants were married. According to the ILO (1986), women in developing countries need the support of their husbands because their traditional responsibility within the family structure is a barrier to running their own business. This presents a need to create a balance between family and work that may affect MSEs’ operations if the spouses are not supportive. This can be problematic given the fact that all women are full-time workers in their respective MSEs. The researcher found out that women need a to get permission from their finance to attend the necessary training offer by the government.

5.2.4 Education Level of Women who own MSEs

The level of education can be an important factor in determining access to opportunities such as information and financial resources to engage in and expand MSEs. The main aim of this education is to develop resourcefulness, innovativeness, self-sufficiency and increasing personal characteristics which construct entrepreneurial way of thinking and behavior which includes,
facing risk, self-determination, self-confidence, leadership, team management etc. and provide business skills and knowledge to start a business (Srivastava, 2017). As Bhardwaj (2014) stated that high level of education is important source of creativity of entrepreneurial ideas, and training and upgrading also have a positively influence of women entrepreneurial activates. As Dumas (2001), explain that education and appropriate training provided to low-income women has really helped the participants to start their own businesses and to enable them to succeed through entrepreneurship. The collected data showed that 45% of women attained secondary school; 36% of women completed Technical and Vocational Education Training (TVET), but the training is not related to their area of MSEs. 9.09% percent of women held a bachelor’s degree and 9.09% of women had completed a two-year diploma. Eshetu and Zeleke (2008) and ILO (2003) say that a low level of education is the main obstacle to expanding women-owned MSEs. Most women who own MSEs in the study area have a low training and educational background in relation to entrepreneurship this implying that limited access to enterprise growth opportunities.

Table 5.2: Educational Level

<table>
<thead>
<tr>
<th>Women Educational Level</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>5</td>
<td>45.45%</td>
</tr>
<tr>
<td>TVET</td>
<td>4</td>
<td>36.36%</td>
</tr>
<tr>
<td>Two-year diploma</td>
<td>1</td>
<td>9.09%</td>
</tr>
<tr>
<td>First degree</td>
<td>1</td>
<td>9.09%</td>
</tr>
</tbody>
</table>

5.2.4 Number of Years in Operation in MSEs in Ethiopia

Women gain experience to deal with MSEs risks as they spend more time running business enterprises. This gives them a chance to sustain and expand their MSEs. The majority, 54% of the participants had been in operation for a period of up to two years. Only 36% had been operating for a period of more than four years while 10% had been in operation for seven years. This presents a risk to women-owned MSEs unless they are given constant support to offset potential business risks. This is because many women do not have extensive experience in dealing in MSEs. Berihu et al. (2014) indicated in their study on factors impacting Ethiopian MSEs that experience is a necessary and important ingredient to expand MSEs. In contrast Debella 2014 state that experience and training is not that significant to MSEs. Experience and business knowledge can be a guide for women to determine the demand for their products, participation in the market and selecting profitable business ventures that can facilitate the growth of MSEs.
5.2.5 Duration of Stay in Addis Ababa City

The duration of stay in a given business environment and geographical area provides an opportunity for women to expand their relationships. Relationships can be used to exploit MSEs’ potential. Only 10% of the participants were natives of Addis Ababa city. The rest were migrants from other parts of the country. Despite this, all of them had stayed in Addis Ababa for a period of five or more years; 45% of them had lived in Addis Ababa for 11 to 20 years, and 55% of them between 5 and 10 years. This period is considered adequate to build social capital and relations to take advantage of opportunities. Conversely,

5.2.6 Membership or Attachment to an Association

Women in MSEs can increase their bargaining power if they act collectively through associations or organisation. Registered associations or organisations can act as a guarantor where women lack collateral security to access loans from lending institutions. Only two (18%) participants were attached to an association. These MSEs were from food manufacturing. This implies that the majority of the MSEs had limited social capital that they could use to access opportunities from different government and civil society organisations to expand their business. Hundera (2014) states that, in Bangladesh, women entrepreneurs’ associations influence women’s decisions to start their own business. This is because they can access information to start entrepreneurial activities, secure capital and know government policies on MSEs including government support women entrepreneurs. Lee, Sohn and Ju (2011) state that entrepreneurial performance of women is associated with social networks including mentors and women’s associations. Similarly, FeMSEDA (2015a) shows that those women who were working with WEDP succeeded in getting finance and other resources rather than those who acted independently. The researcher found out that absence of institutions membership hinder the benefit women get to run their enterprise

The GoE is currently encouraging women to form or join associations. The absence of associations means women-owned MSEs operate independently and are more vulnerable to risks affecting MSEs such as failure to repay loans, among other things, which may lead to closure. In Ethiopia, a considerable number of MSE enterprises close their operations due to acting individually.
5.2.8 Initial capital

The initial capital that women have can be a deciding factor on whether women can sustain and transform their MSEs to viable business entities. Table 5.2 shows the initial capital of MSEs.

Table 5.2: Initial capital of women-owned MSEs

<table>
<thead>
<tr>
<th>Initial capital in ETB</th>
<th>Number of MSEs</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10 000</td>
<td>4</td>
<td>Leather and Textile</td>
</tr>
<tr>
<td>10 001-30 000</td>
<td>6</td>
<td>Leather, food, textile, soaps and detergent</td>
</tr>
<tr>
<td>30 001-50 000</td>
<td>1</td>
<td>Food and beverages</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: MSE interview results, February 2018

All participants in the interviews had very limited initial capital at the start of their business. For instance, interview results indicate that 36% of MSEs had ETB 10 000 or less, while 54% had initial capital of between ETB 10 000 and 30 000. Only 10% had initial capital of ETB 50 000. This is far less than the initial capital required for MSEs in Ethiopia and internationally. This means when the country and international benchmarks are applied, they do not fit into the definition of MSEs. Furthermore, results of the interviews indicate that all MSE irrespective of type and location had limited capital. According to Fleitschner and Kenny (2011), accessing capital is the top obstacle women face when they first launch their businesses. This implies women-owned MSEs need support right from establishment. The results directly correlate with the CSA (2003) survey results in Ethiopia. The survey indicated that start-up capital for most of the MSEs owned by women in Ethiopia was small and 85% of it was generated from individual savings, including Iqib and borrowing from friends and family. The lack of initial capital can result in closure of business enterprises. This problem is common in Asia and Africa (Liedholm, 2002; World Bank, 2004).

5.2.9 Current Capital

A comparison of initial and current capital is needed to determine whether women-owned MSEs are growing or expanding. Interview results reveal that seven women-owned MSEs’ current capital stood at ETB 50 000. The remaining four MSEs did not disclose information on their current capital. Food and textiles had relatively higher capital although their capital was still considered low. Also noted was that some MSEs’ capital had remained constant or more less the same from
the start. Conversely, some MSEs had managed to increase their capital from the initial ETB 5 000, to ETB 50 000 though this is still considered low. Most of these were textile and food and beverages MSEs. This can be attributed to the support given to textile firms and associations under food and beverages. The associations assist members to market their products. This means other MSEs need more support to expand their capital if they are to remain operational. Moreover, the slow pace of capital growth can be attributed to limited support given to MSEs. Currently, most support comes from government. However, the support given by government mainly focuses on workspace, marketing, training and counselling. Only two MSEs accessed loans from lending institutions. The rest lacked collateral security required by lending institutions.

5.2.10 Number of Employees

The number of workers that women-owned MSEs employ can be an indicator of how they are contributing to employment creation and MSE transformation. Interview results obtained from participants indicate that 81% of MSEs had five or less employees while 19% had seven full-time workers and seven part-time workers. MSEs that employ more workers deal in food and beverages. The food and beverages industry are mainly labour intensive and involves a number of processes from raw material to finished products. Some MSEs have fewer employees because they are using a mix of labour-intensive processes and capital-intensive technology. All participants had not hired their family members in their businesses for various reasons. According to Steier and Greenwood (2000), studies have shown that family employment in women-owned MSEs can affect performance benefits for micro-enterprises by adding to the firm’s base of financial, physical and social ties.

5.2.11 Number of Dependents

The number of dependents puts enormous pressure on the limited financial resources of women-owned MSEs. This may be an impediment to the expansion of women-owned MSEs. The number of dependents of the participants is shown in Table 5.3.

Table 5.3: Number of Dependents

<table>
<thead>
<tr>
<th>No.</th>
<th>Nature MSEs</th>
<th>No. of dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Textile</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Leather</td>
<td>3</td>
</tr>
</tbody>
</table>
Table 5.3 shows that 81% of women-owned MSEs had dependants. Of these, four MSEs had five or more dependants. This represents a significant strain on the meagre financial resources of women-owned MSEs. Women reported that large numbers of dependants significantly limited the potential of their business enterprises to grow to the next level let alone sustaining them. Women must buy food and clothes, pay for dependants’ health bills, schools fees and other family obligations. They all said financial resources to cater for dependants was directly obtained from their MSEs.

5.3 Nature or Characteristics of Women-Owned MSEs

This section addresses Research Objective 1: To assess the nature of women-owned MSEs in the manufacturing sector in Kolfe Keranio and Nefas Silk Lafto sub-cities. The characteristics of MSEs treated under this section relate to establishment of MSEs, operation of MSEs and employment creation and expansion.

5.3.1 Establishment of MSE

Under the establishment of MSEs, the issues addressed included sources of information regarding MSEs start-up, manpower, knowledge about entry and exit procedures, sources of capital to start an MSE, knowledge of MSE expansion possibilities and finally knowledge about MSE problems before the start-up of enterprises.

5.3.1.1 Sources of information about MSE start-up

Networking and information sharing can make the MSE sector more productive and vibrant (Hundera, 2014). The sources of information used by women to start MSEs were either through government channels, from already established MSEs, friends and relatives or self-initiative to search for required information as shown in Table 5.4.
Table 5.4: Source of information about MSEs start-ups

<table>
<thead>
<tr>
<th>Firm</th>
<th>Government through different channels</th>
<th>From already established MSEs</th>
<th>Friends and relatives</th>
<th>Self-initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>1</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Leather</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Leather</td>
<td>1 (through MSE office)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soaps and Detergents</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

Source: MSEs interview results, February 2018

Results of the interviews indicate that 63% of the participants sourced information through individual effort or initiative. The participants mainly visited the MSE agencies at different levels to find out information about registration requirements and financing opportunities. This indicates that information regarding MSEs start-ups is not decentralised to where communities live to enable ease of access to women. Participants sourcing information through self-initiative were mainly involved in textiles and food and beverages and were motivated by the need to exploit available economic and other opportunities. MSEs dealing in textiles require large sums of capital, a constraint that requires prior information in order to benefit from funding schemes and other advantages.

There were participants whose information to start the enterprise came through government channels. These constituted 27% of the participants. Government channels of information were either through established offices that were decentralised to woreda offices or through the media and press or meetings held at different venues within or near neighbourhoods where the women resided. This indicates that very few MSEs get information through government channels implying the need to streamline the way MSE agencies disseminate information. Two of the three participants that sourced information through established government channels dealt in leather and leather products. The government emphasises increasing the production and quantity of leather products for export.

Only one woman dealing in soaps and detergents sourced information from already established MSEs. Soaps and detergents production has become common among communities meaning that the required information can easily be accessed at neighbourhood level in some areas. The established soaps and detergents MSEs were already giving training to those interested in dealing
in similar business ventures. Similarly, one participant sourced information from friends and relatives.

Based on the results of the interviews, those seeking to establish enterprises on this scale can source information from different individuals. It can be concluded that, although MSE agencies have popularised and registered several women-owned MSEs, gaps remain when it comes to streamlining channels of information that can be used to start enterprises. This may result in women-owned MSEs closing their businesses. For instance, data gathered from secondary sources indicate a decrease in the number of MSEs particularly in the study area.

On the government side, appropriate techniques of information-sharing customised to women’s needs, conditions and educational status are crucial. Similarly, government, internal agencies and the private sector can collaborate to provide women with skills needed to use internet services. This can assist women to take advantage of marketing, training, financing and other business benefits to foster MSE growth. Gobena and Amare (2016) concur that collaboration among players is crucial for MSE survival.

5.3.1.2 Manpower

Manpower is an important ingredient for the survival of MSEs and can be used to determine whether MSEs are contributing to unemployment reduction goals of a country. Table 5.5 extracted from secondary data shows the manpower development within the MSEs though Addis Ababa according to the sub-cites

Table 5.5: Manpower

<table>
<thead>
<tr>
<th>Sub-city</th>
<th>No of staff during establishment</th>
<th>No of staff now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arada</td>
<td>7 251</td>
<td>5 596</td>
</tr>
<tr>
<td>Addis Ketema</td>
<td>7 478</td>
<td>5 600</td>
</tr>
<tr>
<td>Bole</td>
<td>14389</td>
<td>8 590</td>
</tr>
<tr>
<td>Yeka</td>
<td>31 929</td>
<td>44 835</td>
</tr>
<tr>
<td>Akaki</td>
<td>11 193</td>
<td>8 312</td>
</tr>
<tr>
<td>Niefas Silk-Lafto</td>
<td>23 861</td>
<td>12 029</td>
</tr>
<tr>
<td>Gulele</td>
<td>11 626</td>
<td>9 166</td>
</tr>
<tr>
<td>Kirkos</td>
<td>6 486</td>
<td>5 108</td>
</tr>
<tr>
<td>Lidet</td>
<td>10 405</td>
<td>7 245</td>
</tr>
<tr>
<td>Kolfe Keranio</td>
<td>15 109</td>
<td>9 789</td>
</tr>
<tr>
<td>Total</td>
<td>139 727</td>
<td>116 280</td>
</tr>
</tbody>
</table>

Source: Extracted from AA MSEs 2005-2015 MSEs development with sectors status
This trend needs to be reversed if the remaining women owned enterprises are to thrive. For instance, of the total number of MSEs only 30 438 (26%) are owned by women and 85 792 (74%) are owned by men (AAMSE, 2015). Data extracted from secondary sources indicates that many MSEs closed down between 2005 and 2016. During this period a total of 3 617 MSEs closed their enterprise for different reasons. Kolfe Keranio sub-city was one of the sub-cities that was severely affected where 888 (24.5%) MSEs closed. Interview results indicate that women-owned MSEs received limited support. The number of MSEs that closed during the period 2005-2016 is indicated in Table 5.6.

Table 5.6: Number of MSEs that closed down between 2005 and 2016

<table>
<thead>
<tr>
<th>Sub-cities</th>
<th>During Establishment</th>
<th>Now</th>
<th>During Establishment</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arada</td>
<td>272</td>
<td>547</td>
<td></td>
<td>243</td>
</tr>
<tr>
<td>Addis Ketema</td>
<td>70</td>
<td>504</td>
<td>209</td>
<td>421</td>
</tr>
<tr>
<td>Bole</td>
<td>264</td>
<td>421</td>
<td>243</td>
<td>199</td>
</tr>
<tr>
<td>Yeka</td>
<td>888</td>
<td>209</td>
<td></td>
<td>888</td>
</tr>
<tr>
<td>Akaki</td>
<td>504</td>
<td>421</td>
<td></td>
<td>199</td>
</tr>
<tr>
<td>Lafto</td>
<td>264</td>
<td>421</td>
<td></td>
<td>199</td>
</tr>
<tr>
<td>Gulele</td>
<td>243</td>
<td>199</td>
<td></td>
<td>199</td>
</tr>
<tr>
<td>Kirkos</td>
<td>199</td>
<td>199</td>
<td></td>
<td>199</td>
</tr>
<tr>
<td>Lide</td>
<td>888</td>
<td>264</td>
<td></td>
<td>264</td>
</tr>
<tr>
<td>Kolf</td>
<td>888</td>
<td>264</td>
<td></td>
<td>264</td>
</tr>
</tbody>
</table>

Data extracted from secondary sources shows a total decline in manpower of up to 23 447 in Addis Ababa city. Only Yeka sub-city experienced an increase in the number of people who participate in MSEs. This presents an opportunity for authorities in the sub-city as well as MSEs to draw experience from Yeka sub-city. Similarly, the number of female and male staff in MSEs vary greatly. To this end, the number of women employed drastically decreased compared to that of men due to lack of support and poor organisation. The GoE regards MSEs as tools for empowering women and job creation. This is in response to the identified unemployment problem among women (Eshetu & Zeleke, 2008). Re-alignment of women employment needs in the manufacturing sector and economic development in general are two of Ethiopia’s national development goals (Engida et al., 2017).

Table 5.7 indicates the number of employees employed during establishment of MSEs and current employees by gender in each sub-city of Addis Ababa.

Table 5.7: Number of employees during establishment and currently by gender

<table>
<thead>
<tr>
<th>Sub-cities</th>
<th>During Establishment</th>
<th>Now</th>
<th>During Establishment</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women</td>
<td>Women</td>
<td>Men</td>
<td>Men</td>
</tr>
<tr>
<td>Arada</td>
<td>3 072</td>
<td>2 439</td>
<td>4 179</td>
<td>3 157</td>
</tr>
<tr>
<td>Addis Ketema</td>
<td>3 500</td>
<td>2 222</td>
<td>3 978</td>
<td>3 378</td>
</tr>
<tr>
<td>Bole</td>
<td>4 139</td>
<td>2 441</td>
<td>10 250</td>
<td>6 149</td>
</tr>
<tr>
<td>Yeka</td>
<td>16 812</td>
<td>4 557</td>
<td>15 117</td>
<td>40 278</td>
</tr>
<tr>
<td>Akaki</td>
<td>3 664</td>
<td>2 774</td>
<td>7 529</td>
<td>5 538</td>
</tr>
<tr>
<td>Nefas Silk Lafto</td>
<td>8 124</td>
<td>4 078</td>
<td>15 737</td>
<td>7 951</td>
</tr>
</tbody>
</table>
Table 5.7 shows that the number of women employed in MSEs decreased by 10,572. In contrast, the number of men employed in MSEs increased by 2,125.

5.3.1.3 Knowledge about entry and exit procedures

Women were asked whether they had prior about exit and entry procedures before establishing the enterprise. Results of the interviews are indicated in Table 5.8.

Table 5.8: Knowledge of entry and exit procedures

<table>
<thead>
<tr>
<th>Firm</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Leather</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Soaps and detergent</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interview results, February 2018

The majority (63%) of the participants said they did not have any knowledge about entry and exit procedures. Of these MSEs, three were food and beverages, two were textile and one was soaps and detergents. Only 37% of participants were aware of the entry and exit procedures before starting the business. Of these three were dealing in leather and one was in textiles. Leather and textiles are two areas that the government focuses on to maintain quality products that can compete with other countries in the international market. Based on the results of the interviews, it can be concluded that majority of women start MSEs without knowledge of entry and exit. This means MSE agencies are doing little to educate women seeking to start business. This implies the need to step up MSE awareness and education campaigns to create better understanding of entry and exit procedures to avoid future risks and loss of capital and other assets.
5.3.1.4 Sources of capital to start MSE business

The researcher wanted to know the source of capital from which women sourced funds to establish enterprises. The sources include individual savings, government, micro-finance and family member or relatives as indicated in Table 5.9.

Table 5.9: Source of capital to establish MSEs

<table>
<thead>
<tr>
<th>Firm</th>
<th>Banks or micro finance</th>
<th>Family (relatives)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Leather</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Soaps and Detergent</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (Bank)</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Interview results, February 2018

Results of the interviews indicated that only two sources of capital were used to establish enterprises. These were either loans from banks and MFIs or mobilisation of capital from family members or relatives. Of the 11 women interviewed, 82% used funds from family members and relatives. Only two women (18%) sourced capital from lending institutions like banks and MFIs. MSEs that used loans from lending institutions were textiles and leather. Government has placed an emphasis on manufacturing industries including textiles and leather. Leather products are a major export of Ethiopia.

5.3.1.5 Knowledge of MSE expansion possibilities

Women-owned MSEs were asked if they knew about their enterprise expansion possibilities before starting the business. Results of the interviews with participants are indicated in Table 5.10.

Table 5.10: Knowledge about MSEs’ expansion possibilities

<table>
<thead>
<tr>
<th>Firm</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>1 (driven by government effort to transform local businesses)</td>
<td></td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>1 (marketing policies by government and import substitution)</td>
<td></td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>1 (government policy to support local firms to expand into medium sized firms)</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1 (driven by job creation)</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1 (driven by avoidance dependants on MSEs capital)</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1 (driven by government policy on providing funds for poverty reduction)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (driven by job creation)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (driven by availability of capital)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (driven by job creation and profit)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (driven by market linkage possibilities)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interview results, February 2018
Most of the women said they had full knowledge about expansion possibilities before establishing their MSEs. Only one participant (in the leather industry) did not have any information about the expansion possibilities. Participants that had full information about expansion possibilities cited the following reasons:

- availability of capital through loans and various means;
- need to create more jobs;
- more savings through limiting the number of dependants on the MSE’s capital;
- government policy, particularly poverty reduction funding possibilities;
- government vision and effort to transform local businesses;
- market linkages, marketing policies by government and import substitution; and
- government policy to support local firms to expand into medium-sized firms.

Based on the results of the interviews, it can be concluded that most women who established MSEs were aware of the opportunities available to them to expand their enterprises in future. This indicates the readiness of women-owned MSEs to work towards the attainment of goals that encourage their expansion of their business.

On the contrary, data extracted from secondary sources indicate that MSEs have experienced slow growth. This is evidenced through the limited number of MSEs that have transitioned into medium-sized and mature enterprises. Table 5.11 indicates MSEs transformation in Addis Ababa during the period 2005-2015.

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Service</th>
<th>Urban Agriculture</th>
<th>Trade</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up</td>
<td>4 524</td>
<td>6 035</td>
<td>3 765</td>
<td>334</td>
<td>7 430</td>
<td>22 088</td>
</tr>
<tr>
<td>Growth</td>
<td>831</td>
<td>603</td>
<td>207</td>
<td>59</td>
<td>344</td>
<td>2 044</td>
</tr>
<tr>
<td>Maturity</td>
<td>270</td>
<td>298</td>
<td>15</td>
<td>2</td>
<td>13</td>
<td>598</td>
</tr>
<tr>
<td>Medium</td>
<td>431</td>
<td>126</td>
<td>27</td>
<td>7</td>
<td>38</td>
<td>699</td>
</tr>
<tr>
<td>Total</td>
<td>6 096</td>
<td>7 062</td>
<td>4 014</td>
<td>402</td>
<td>7 825</td>
<td>25 399</td>
</tr>
</tbody>
</table>

Source: Extracted from AAMSE (2015)

After 12 years of the implementation of the FeMSEDA strategy, 22 028 MSEs are at still at start-up stage constituting 87% of the total. This represents an increase of 8% which is considered insignificant. Those that have attained maturity stand at 2.3% whereas medium growth is 2.6%. This shows total within the last 12 years, only 2.6% MSEs have transitioned into medium-sized
businesses based on the criteria developed by Ethiopia and 3 341(13%) of them have developed to maturity. The biggest number (87%) of enterprises in every sector is at start-up level. This does not augur well for the MSE development strategy implying job creation and eradication of poverty is insignificant.

Some MSEs are reluctant to transfer to the next level due to laxity regarding rules for MSEs transition. For example, the MSEs strategy has no forced rule for enterprises to pass on to the next level as long as they are sustainable, remain competitive and keep the same employees. Similarly, they can enjoy the same status if they pay tax, pay salaries of their employee and stay in business.

5.3.1.6 Knowledge about MSEs problems

Similarly, participants were asked if they had knowledge about problems of MSEs that could impede their operation and expansion into viable business entities. Results of the interviews are presented in Table 5.12.

Table 5.12: Knowledge about MSEs anticipated problems

<table>
<thead>
<tr>
<th>Firm</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>1 (relating to inadequacy of raw materials)</td>
<td></td>
</tr>
<tr>
<td>Food and beverages</td>
<td>1 (workspace related and inputs/raw materials)</td>
<td></td>
</tr>
<tr>
<td>Food and beverages</td>
<td>1 (relates to shortage of inputs/raw materials)</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1 (capital related, standards, lack of workspace)</td>
<td></td>
</tr>
<tr>
<td>Soaps and detergents</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (capital related)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (capital related)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (workspace related)</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (relate to workspace and lack of skilled manpower)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interview results, February 2018

Of the 11 participants, eight (73%) were aware of the problems MSEs could face in future. Three women cited problems relating to lack of adequate capital. Three said they anticipated limited supply of inputs or raw materials. Four said they anticipated problems relate to limited workspace needed for business operations and storage of raw materials and finished products. Only one woman pointed out the lack of skilled manpower to assist in the running of business. Similarly, one woman identified high standards in terms of products and the costs of stalls that could impede MSEs with limited capital. Participants that anticipated problems relating to inputs dealt in food and beverages. Sugar and related inputs used in food and beverages were in short supply due to
increasing demand. Those that cited capital-related problems were dealing in textile products. Textile industries require modern technology if they are to compete successfully.

Only three women said they did not have knowledge about potential problems. Two of these were in textiles and one in soaps and detergents. Soaps and detergents require limited knowledge and skills to start at a micro-scale level. Ethiopia has a long history of textile production. However, one textile MSE identified lack of skilled manpower as an anticipated problem despite the advantages of being in the trade.

Based on the results of the interviews, it can be concluded that most participants had good knowledge about potential MSEs problems before establishing the enterprise.

5.3.2 Operation of MSEs

This subsection deals with the operational aspects of women-owned MSEs. Under operations, type of technology, access to information (management, savings, markets, investment possibilities) and MSE support are presented and discussed.

5.3.2.1 Type of technology

One of the requirements for MSEs’ success is the use of modern technology. To this end, avoiding entrepreneurship barriers to access technology is crucial in the MSE sector (Hisrich, 2005; ILO/ECA, 2009). Participants were asked to identify the type of technology they were using. Technology can be labour or capital-intensive or a mix of both. Five firms used labour-intensive methods while six used a mixture of labour and capital-intensive approaches. The use of labour-intensive technology was spread across all types of MSEs. A mix of labour- and capital-intensive methods was used mainly by MSEs dealing in leather and textile products. Based on interview results, it can be concluded that most MSEs still rely on labour-intensive methods. This implies a significant number of women-owned MSEs may be producing below the required capacity. In addition, the quality of products under labour-intensive methods is low implying limited market reach since there are medium and large-sized companies producing similar products of better quality.

Although MSEs using labour-intensive methods have the potential to employ more people to undertake most of the tasks, slow production affects their profitability and expansion potential.
This poses a risk to MSEs and they may be forced to reduce the number of workers in future causing unemployment. However, the use of a mix of labour-intensive and capital-intensive methods implies the potential for women-owned MSEs to increase production and improve product quality. This may help women to transform their MSEs to medium or even large-sized enterprises capable of generating more profits and employing more people.

5.3.2.2 Access to information

Of the 11 participants, six said they did not have access to information to assist them improve their operations and business functions. Women-owned MSEs lack access to information concerning: (i) how to improve the management of their MSEs and related business; (ii) increased savings; (iii) access to better markets; and (iv) investment and expansion possibilities. This is attributed to limited support given to MSEs. For instance, interview results indicate that women have not received support from CBOs/NGOs, other MSEs or Women’s Associations. The little support MSEs receive is offered by government through its departments and agencies.

Conversely, five participants said they had access to information concerning management aspects of MSEs, savings, markets, investment and expansion possibilities. One participant in a soap and detergents MSE said it had benefited from information encouraging a savings culture. Access to information on training, accounting and counselling was available to women-owned MSEs. However, only two firms in the leather trade had access to training including accounting. The MSE dealing in soaps and detergents accessed information related to counselling for better savings.

Based on the results of the interviews, it can be concluded that the number of women-owned MSEs that do not have access to information is higher than those who receive information. This can be attributed to the limited number of players who assist women-owned MSEs in this respect. Information dissemination is still seen as the sole responsibility of government and its departments or agencies.

5.3.3 MSE Employment Creation and MSE Expansion

Woman MSEs characteristics that relate to employment creation and the growth of MSEs are presented in this section. Trends in employment (increase or decrease), nature of employment (full
time or part-time), changes in capital (increase or decrease), skills gained while operating business and type of benefits (economic or social) are presented and discussed.

Experts were asked what can be done to help MSEs expand. Suggestions focused on the following:

- Supervision and evaluation;
- Policies to bring about equal opportunities between men and women;
- Women specific assessment and research based on each sector;
- Organising seminars and conferences for women-owned MSEs at national level to increase awareness about women’s needs;
- Careful identification of role models from whom other women can learn;
- Need for a magazine to highlight women issues including achievements in MSEs and experience;
- Awareness creation at woreda level;
- An integrated approach to women-owned MSEs (city administration; federal government; trainers and lending institutions);
- Programmes targeting attitudinal change at societal and family levels;
- Training in entrepreneurship; and
- Marketing strategies to increase market for products locally and internationally.

5.3.4 Job Creation and Nature of Jobs created by Women-owned MSEs

Of the 11 women interviewed, nine reported an increase in employment creation by their enterprise. Of these, all participants dealing in food and beverages as well as soaps and detergents had increased the number of employees. These firms rely mainly on human labour for their operation. Two participants in leather and textiles reported a decrease in the number of employees. These mainly use a mix of labour and capital-intensive technology. The use of the latter implies fewer employees. Based on the results, it can be concluded that most women-owned MSEs are generating more jobs. This has the potential to reduce unemployment now and in the future.

Similarly, data extracted from secondary sources indicate that MSEs have significantly contributed to the creation of jobs in the last 12 years in Addis Ababa. A total of 66 550 jobs were created in different sub-cities, for example, (AAMSE, 2015) states that 14 524 permanent and 52 026
temporary jobs. Of these, 20,125 (28%) jobs were created for women and 45,489 (72%) for men. This shows that although MSEs are contributing to job creation, employment of women remains low. Permanent jobs for women are less than that of men and stand at 40% for women and 60% for men. Similarly, women benefit less from temporary jobs created by MSEs i.e. women 0.28% and 0.71% for men. This supports Stevens’ (2010) suggestion concerning the need to bridge gender inequality gaps in sustainable development. Increasing employment through gender-specific MSE initiatives in the study area can empower women. This is because MSE growth and unemployment reduction among women calls for targeted social and economic empowerment (Carrier, 2008).

Table 5.13 indicates job creation by MSEs as derived from secondary data.

<table>
<thead>
<tr>
<th>Nature of Employment</th>
<th>Permanent Job</th>
<th>Temporary Job</th>
<th>Total Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>5,730</td>
<td>14,395</td>
<td>20,125</td>
</tr>
<tr>
<td>Men</td>
<td>8,595</td>
<td>36,894</td>
<td>45,489</td>
</tr>
<tr>
<td>Handicapped</td>
<td>199</td>
<td>737</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>14,524</td>
<td>52,026</td>
<td>66,550</td>
</tr>
</tbody>
</table>

Source: Extracted from AAMSE (2015)

In terms of nature of employment, results from the interviews indicate that all the women worked full-time at the MSEs they owned. This is contrary to data sourced from documents (refer to Table 5.15). If women were given support, this would help them to commit to their businesses and to gain experience that they need to advance their enterprises.

5.3.4.1 Increase, decrease and stagnation of MSE capital

Eight of the 11 women interviewed reported an increase in capital. Of these, three said they experienced a sharp rise or increase in capital even though the total capital did not qualify them for the next level. Two women said there was a slight increase in their capital. This presents a risk for firms to expand in future if they fail to break even. Similarly, three women reported that their capital was stagnant or that there had been no change in capital from the time of their establishment. These participants need special assistance in terms of finance and other measures to help them realise profits. If they maintain the status quo, it implies they cannot access loans since they do not have the capacity to pay back the loan with interest to lending institutions. It means these firms may downsize employees to survive or even risk closure.
The MSEs in this category are one textile and two leather firms. Interview results show that these MSEs had cut down the number of employees. In terms of technology used, the textile MSE used labour intensive technology whereas the two leather MSEs used a mix of technology. This shows that, on one hand, the reduction in employment impacts the MSEs and they may face closure. On other hand, the failure of the MSEs dealing with leather to absorb modern technology is affecting their capital. This is because a correlation exists between technology and increase in production as well as quality of products.

5.3.4.2 Skills gained

Women are expected to gain different skills in the course of running their enterprises that can improve the status of their business ventures. All the participants reported that they had gained either marketing, communication, entrepreneurial skills or all of them. Two participants in leather and food and beverages said they had gained skills only in marketing and communication. One food and beverages participant had gained skills in only marketing and entrepreneurship. Four participants, i.e. two textile, one leather and one soap and detergents, had acquired skills in marketing, communication and entrepreneurship. Two participants (one leather and one textile) gained only entrepreneurship. Finally, one participant dealing in textiles gained only marketing skills.

Based on interview results, it can be concluded that participants had gained different skills to run their business now and in the future. This indicates there is great potential for the women to develop their MSEs to become medium and large-sized companies in future. The skills acquired can be attributed to some extent to government support in terms of training and counselling. Similarly, all participants were full-time employees implying they were committed to their enterprises, a reason that enabled them to understand the work environment and re-orient themselves towards better management. Management requires skills.

5.3.5.3 Nature of benefits accruing to women-owned MSEs

Women are better motivated if they realise benefits from their operations. Benefits can be economic or social in nature. Of the 11 participants, 10 reported that they had realised economic benefits. The economic benefits were in form of income and increased capital including MSE
assets. This presents potential for women to commit more to their business enterprise with the hope of increasing their economic benefits. More economic benefits imply growth of MSEs, more employment creation and contribution to national economic development in terms of GDP. Only one participant in a leather MSE said it had benefits socially in terms of expanding relations or social networks with different entities. This implies that the chances of coming together as leather MSEs or MSEs in general are very limited. This disadvantages MSEs as they cannot collectively bargain for better and more workspace, participate in policy-related matters, or access better marketing strategies, finance and capacity-building programmes.

Based on results of the interviews, it can be concluded that firms have reaped more in the form of economic advantages than social benefits. This presents a need to continue supporting women-owned MSEs to accelerate economic benefits as well as engaging in efforts to realise social benefits. A twin approach focusing on the two will assist women to build strong social institutions that can guarantee sustained economic benefits now and in the future.

According to results of interviews with MSE experts, women-owned MSEs have the potential to create more jobs for other women and the nation as well as acting as role models for other women seeking to establish MSEs. MSEs can lead to economic independence of women, something that can help them support their families in various ways. Apart from economic independence through income generation, women can gain knowledge and skills by running MSEs. Socially/culturally, by engaging in MSEs women can prevent early marriage for their children, improve nutrition, keep their children in school and increase family earnings. Experts are of the view that MSEs increase the decision-making power of women in city and community affairs; reduce the burden on women through division of labour among family members and society as a whole; help women to create value change in societies where they work and live; and increase wage employment among other benefits. Table 5.14 presents a summary of the employment, capital, skills gained and benefits accruing to women-owned MSEs.
Table 5.14: Employment, capital, skills gained and benefits

<table>
<thead>
<tr>
<th>Firm</th>
<th>Trend in employment</th>
<th>capital</th>
<th>Skills gained</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>Decrease</td>
<td>Full time</td>
<td>Increase</td>
</tr>
<tr>
<td>Leather</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Textile</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Textile</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Leather</td>
<td>x</td>
<td>x</td>
<td>x (sharp increase)</td>
<td>x</td>
</tr>
<tr>
<td>Leather</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Soaps and Detergent</td>
<td>x</td>
<td>x</td>
<td>x (slightly)</td>
<td>x</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>x</td>
<td>x</td>
<td>x (slightly)</td>
<td>x</td>
</tr>
<tr>
<td>Textile</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Textile</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>x</td>
<td>x</td>
<td>x (sharp increase)</td>
<td>x</td>
</tr>
</tbody>
</table>

*x-denotes presence of an item
Source: Interview results, February 2018
5.4 SUPPORT GIVEN TO WOMEN-OWNED MSEs

This subsection addresses Research Objective 2: To examine the support women-owned MSEs in the manufacturing are receiving from government and other organisations. The support that women-owned MSEs receive is categorised into six namely: (i) awareness, education and skills training; (ii) technology and machinery support; (iii) financial support/loan facilitation; (iv) marketing strategies; (v) business counselling by government agencies; and finally (vi) inputs. The director in charge of implementing MSEs strategy at the FeMSEDA office said the agency is working with Women Entrepreneurship Development Program to support women-owned MSEs. WEDP only works for women-owned MSEs in the area of support regarding entrepreneurship, training and facilitating micro-finance for women’s MSEs. Interview results revealed that women have not fully benefited from this support. The director said women-owned MSEs are given priority to take entrepreneurial training, acquire shops, participate in bazaars and exhibitions and so on. The director said FeMSEDA is working on increasing the participation of women in MSEs to 50% to equal that of men.

5.4.1 Awareness, Education and Skills Training

A total of six women-owned MSEs are benefiting from awareness, education and training programmes organised by government agencies at different levels. The nature of training given to women-owned MSEs focuses mainly on technical aspects, business management training, Kaizen (product improvement) training, savings, and accounting for better bookkeeping. Technical and business management training is given to MSEs dealing in leather products. Kaizen and savings training is given to MSEs producing soaps and detergents. Kaizen training also is offered to women-owned MSEs in the textile manufacturing sub-sector as well as accounting skills. From the results of the interviews, it can be concluded that the majority of MSEs have access to awareness, education and training programmes.

5.4.2 Technological and Machinery Support

Results of the interviews indicate that women-owned MSEs have received support in form of technology and machinery. The support in technology use focuses on improving access through information sharing on cost-effective modern technologies such as computer and industrial machinery and products. Women-owned MSEs also receive direct support through the supply of
machinery or maintenance, although at a cost. Most women-owned MSEs that have received technology and machinery and product support are dealing in leather, textiles and food. Soaps and detergents MSEs have not received any technology or machinery support. Conversely, some of the women-owned MSEs that have received technology and machinery support said that the machinery is obsolete or outdated. This means they cannot produce at the required capacity due to slow or constant breakdown of the machinery. It can be concluded that although some women-owned MSEs receive technological and machinery support, the machines supplied to them are too old to enable them produce at their full capacity. Similarly, the support focuses on limited types of women-owned MSEs in the manufacturing sector.

5.4.3 Financial/Loan Facilitation

Originally the researcher expected that women-owned MSEs receive direct financial support for government and other agencies. Results from the interviews reveal the contrary. Although there is a form of financial support to women-owned MSEs, it comes in form of loan facilitation. To this end, concerned government agencies try to link women-owned MSEs to lending institutions such as MFIs. Only three women-owned MSEs mainly dealing in food and beverages and leather products managed to access loans though they reported that they were far below what they required to expand their operations. Based on interview results from women-owned MSEs, it can be concluded that the financial support given to MSEs by government agencies and offices is through loan facilitation. Similarly, very few women-owned MSEs receive finance-related support. This is indicative of the information gap between women-owned MSEs and government and related agencies or offices. Important to note is that MSEs lack collateral security to secure funds from lending institutions. This means government efforts to link MSEs to lending institutions without streamlining loan requirements may not work. Moreover, most women-owned MSEs are not members of any association. Registered associations, groups or organisations can serve as a guarantor when applying for loans from lending institutions.

5.4.4 Marketing

Women-owned MSEs need to expand the distribution of their products if they are to remain profitable and compete favourably with similar firms. Results of the interviews conducted with MSEs reveal the marketing strategies that women-owned MSEs are using are still limited both in terms of innovative strategies and workspace to expand their markets. Currently, MSEs engage in
bazaar promotions, exhibitions and product displays facilitated by government agencies and women-owned MSEs. Bazaar promotions are organised to assist women-owned MSEs to expand their markets while exhibitions and product displays are aimed at improving market linkages. Despite these initiatives, very few women-owned MSEs are participating. Interview results indicate that out of the eleven women-owned MSEs included in the study, only two had participated in bazaars, exhibitions and product displays. This is because most MSEs consider marketing strategies currently adopted as limited in scope, implying that they have an insignificant impact on market expansion.

5.4.5 Business Counselling by Government Agencies

The other support that women-owned MSEs receive, although limited, is business counselling by government agencies. Business counselling aims at enabling women-owned MSEs to improve their operations, product quality to capture wider market and risk amelioration. Only one MSE (leather products) had benefited from this service. Leather is in demand both locally and outside Ethiopia. Women-owned MSEs dealing in leather products want to exploit this advantage. The service could be given more easily if MSEs were organised in groups. Currently women-owned MSEs are working individually. Business counselling centres are located at sub-city offices and many women find it difficult to leave their work to attend counselling sessions. Bringing counselling services to premises where women-owned MSEs operate is necessary. On the contrary, there is no space to accommodate such offices. Women-owned MSEs reported lack of space for operations and storage of their products. Introducing counselling offices in the premises where MSE activities are taking place would only make the issue of space more complex.

5.4.6 Inputs/Raw Materials

The other support that women-owned MSEs receive is supply of raw materials/inputs from the government side. The inputs are mainly oil and sugar, which are supplied to women-owned MSEs dealing in food and beverages. Currently, the increase in demand for sugar and subsidised oil has resulted in shortages. Some sugar factories in the country are non-functional either due to weather or failure to meet environmental requirements. It is common practice for the government to supply subsidised sugar and oil through licensed dealers or government distribution points. MSEs are given priority to ensure they produce products on a sustained basis to satisfy the needs of their customers. Despite the effort to supply inputs to women-owned MSEs, problems remain. The
inputs either are not delivered in time or are inadequate given the huge demand of MSEs. A summary of issues relating to support that women-owned MSEs receive is provided in Table 5.15.

Table 5.15: Women support

<table>
<thead>
<tr>
<th>Nature of firm</th>
<th>Awareness, education and skills training</th>
<th>Technological and machinery support</th>
<th>Loan facilitation/provision</th>
<th>Marketing strategies</th>
<th>Business counselling by government agencies</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>1</td>
<td>1</td>
<td>1 (though inadequate)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (Kaizen training, accounting)</td>
<td>1</td>
<td>1 (bazaar promotions to expand market)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 (oil, sugar but inadequate)</td>
<td></td>
</tr>
<tr>
<td>Soaps and detergent</td>
<td>1 (Keizen and savings)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1 (access to technology)</td>
<td>1</td>
<td>1 (market linkage through exhibitions, product display,)</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (machinery support but obsolete)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textile</td>
<td>1 (machinery support)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leather</td>
<td>1 (technical and management training)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Interview results, February 2018

In terms of support, four participants said they received support. The support given to MSEs was in the form of training to improve products, increase savings and improving books of accounts and was given by government officers. Participants said they did not receive assistance from each other. They did not have awareness about the advantage of government support and MFIs or training about the benefits. This limits the potential for women-owned MSEs to join forces to strive for better growth. Similarly, participants said they had not received support from Women’s Associations, CBOs or NGOs. Therefore, it can be concluded that the women-owned MSEs do not
receive the support they need to improve their business and progress to next level. A summary of
technology used, access to information and MSE support is summarised in Table 5.16.

This is contrary to data sourced from government documents in Table 5.17 which indicate that
13 544 MSEs use government financial loans and market coordination support. Of these, 6 413
MSEs received financial loans, which constitutes 25% the total number of 25 399 MSEs
throughout Addis Ababa city. However, 75% did not benefit for various reasons. For instance,
41% did not show any interest in taking loans and 17% lacked collateral security. A total of 7 131
MSEs benefited from market coordination strategies (Yegebya tesesere), which constitutes 28%
out of the total 25 399 MSEs.
Table 5.16: Type of technology, access to information and MSE support

<table>
<thead>
<tr>
<th>Firm</th>
<th>Type of technology</th>
<th>Access to information</th>
<th>MSEs Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labour</td>
<td>Capital</td>
<td>Mix</td>
</tr>
<tr>
<td>Leather</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Textile</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Textile</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Leather</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Leather</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Soaps and Detergents</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Textile</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Textile</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
</tbody>
</table>

✓ denotes presence of technology, access to information and government support

Source: Women interview results 2018

Table 5.17: Government support to MSEs

<table>
<thead>
<tr>
<th>Type of support</th>
<th>Finance loan</th>
<th>Market tesesere</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Small</td>
<td>5 488 925</td>
<td>6 153 978</td>
</tr>
<tr>
<td>Micro Small</td>
<td>6 413 7 131</td>
<td>978</td>
</tr>
</tbody>
</table>

Source: Extracted from AAMSE (2015)
5.5 PROBLEMS FACING WOMEN’S MSEs IN NEFAS SILK LAFTO AND KOLFE KERANIO SUB-CITIES IN ADDIS ABABA

This subsection answers Research Question 3: To explore problems of women-owned MSEs in manufacturing sectors in Kolfe Keranio and Nefas Silk Lafto sub-cities. The problems presented and discussed are as a result of interviews carried out with MSEs, key informant interviews and secondary data. Major problems relate to workspace, competition, inputs/raw materials, technology and machinery, market, high interest rates and limited capital.

5.5.1 Workspace

Working premises are a major component of successful and sustainable growth of MSEs (Wasihun & Paul, 2010). The problems of workspace relate to high demand for additional workspace in buildings and the type of structures in which women-owned MSEs operate. Women-owned MSEs operate with a vision to expand their business ventures yet space available and allocation is not organised in a way that responds to the needs of MSEs. Participants reported that efforts to acquire more space in premises where they operated had been futile. The problem was aggravated by the increasing number of MSEs entrants who required space to start their enterprises. The government controls the allocation of space in newly constructed buildings and other premises to newly registered MSEs. This affects business expansion possibilities of existing women-owned and other MSEs. Moreover, the increasing number of new entrants in MSEs leaves few chances for existing MSEs to expand. Figure 5.1 shows the congested working environment in which women-owned MSEs operate.

Figure 5.1: Congested working environment

Source: Field survey, December 2017
The GoE has an arrangement to support MSEs either individually or collectively through the allocation of plots of land for MSE activities. However, few women-owned MSEs can afford to purchase or rent them due to high costs. Participants reported a lack of storage space for both the raw materials and finished products. MSEs find it difficult to engage in more production or purchase raw materials in large quantities due to lack of storage space as shown in Figure 5.2.

![Figure 5.2: Lack of storage space](image)

Source: Field Survey, December 2017

Some participants pointed to constraints relating to the typology of buildings in which they operated. The government builds and allocates workspace in five story (G+4) buildings. Figure 5.3 shows a typical MSE buildings in Nefas Silk Lafto and Kolfe Keranio sub-cities in Addis Ababa city.

![Figure 5.3: Typical MSE buildings](image)

Source: Field survey, December 2017
Participants said it was difficult and, in some situations, almost impossible to carry out business on some floors. The buildings lacked lifts meaning that women must carry inputs or raw materials and finished products to different levels in the building. This is problematic for women given their natural physical barriers. They are forced to employ manual labourers to assist them, a trend that diminishes their profit margins.

5.5.2 Competition

Interview results revealed that women-owned MSEs suffered from stiff competition, a condition that threatens their survival and hinders their advancement. The stiff competition arises from the advantages that large manufacturing industries have over MSEs. Women-owned MSEs that were severely affected were those producing soaps and detergents. This is because there are many large-sized industries that produce similar products. Big industries have the advantage of substantial finances, using modern technology, purchasing raw materials in large quantities which reduces the costs through economies of scale, improving the quality of their products and advertising their products to areas far beyond the production point. In addition, big industries enjoy considerable government support in terms of incentives which gives them a competitive edge. Women-owned MSEs and MSEs in general lack most of these advantages. Women-owned MSEs lack financial capacity to either advertise or purchase inputs in bulk.

5.5.3 Inputs (raw materials)

Interview results indicate that participants lacked raw materials or inputs needed to produce goods. The most affected MSEs were those dealing in food and beverages. These MSEs require oil, flour and sugar. There is a frequent sugar shortage in the country due to increasing demand. The lack of raw materials seriously affects their production. This in turn destroys their client base as they cannot sustain production to meet their needs.

5.5.4 Outdated Technology and Machinery

Women-owned MSEs are currently using primitive and outdated technology that affects their production capacity. Some MSEs use labour-intensive methods. This means that if workers are absent, MSEs cannot operate. Participants said the type of technology and machinery used limited their chances of acquiring loans to engage in more production. They said previously it was a little easier to convince lending institutions to grant them loans. However, due to constant machinery
breakdowns and low performance, MSEs could not meet their loan obligations. This condition discouraged lending institutions from supporting MSEs.

5.5.5 Limited Market

Women-owned MSEs rely on markets for their products mainly from within their vicinity or clients who visit their work premises. In fact, some MSEs cannot afford to market their products in Addis Ababa city or even the sub-cities where they are located. This limits their earnings as they cannot meet the set sales targets. Participants said there were no efforts to link them to external markets that would enable them to sell their products outside Ethiopia. The worst-affected women-owned MSEs that would otherwise have a potential market globally are those dealing in leather and leather products.

The gender expert at the MSE agency said access to markets for products produced by women-owned MSEs was a problem. In fact, according to the gender expert even among women-owned MSEs there were no equal opportunities. The gender expert said part of the problem was a lack of appropriate information-sharing channels through which women could get access to information.

5.5.6 High Interest Rates

Only one participant pointed out the problem of high interest rates associated with borrowing from lending institution. This is because women-owned MSEs rarely borrow as they lack collateral security. In addition, women are not organised into associations which can act as guarantors. Participants said the profits that they made were too meagre to service loans. Participants were reluctant to borrow even if they were given the opportunity because they did not want to risk losing their business ventures to lending institutions.

5.5.7 Limited Capital

The problem of limited capital was identified by participants. This is because women-owned MSEs tend to focus on getting start-up capital. Once they start running their businesses, they are seldom expanded because of envisaged practicalities and risks. Participants indicated that a lack of adequate capital affected the acquisition of new and modern production technology, resulting in poor marketing strategies and limited access to workspaces and storage space. Experts working with women-owned MSEs said women still had a poor saving culture and lacked awareness about the modern banking system. This limited their capacity to access loans from financial or lending
institutions. Experts were of the view that supporting mechanisms could be strengthened through projects like WEDP.

5.5.8 Limited/Lack of Training

Experts working with women-owned MSEs at different levels pointed out that lack of training as one of the problems they needed to address. The experts said women lacked entrepreneurial development training. In cases where such training was organised, it was not aligned with women’s activities implying that the majority did not benefit. Experts said women were faced with difficult choices resulting from perceived but strong cultural sentiments that reduced their decision-making power. Experts explain their experience even if there is an opportunity that women often complained that their spouses refused to allow them to attend training on MSE development. They could only attend with approval from their husbands.

5.5.9 MSE Strategy Implementation

Experts, particularly the gender experts and director at the federal office, said there were gaps in the strategy that complicated the implementation of MSEs programmes. For instance, the strategy and the manual emphasise 50% women support in terms of market communication and participation in MSEs. However, this target is hampered by bureaucracy where women must move from one office to another to access benefits. This shows a gap between the practice and the MSE strategies and legislation.

5.6 CHAPTER SUMMARY

This chapter explained the research findings which were analyzed and discussed by addressing the main objectives of the research. The findings of this chapter were that women have limited education background to start their business. Appropriate training, experience, and skills that hinder them from exploiting advantages and opportunities to develop their enterprises. Access to information regarding MSE’s start-up, availability of raw material, and using modern technology is still weak and hampers the participation of women-owned MSEs in the Ethiopian economy. Weak implementation of an MSE strategy in the country is the inability of financial institutions to meet women-owned MSEs’ financial needs, lack of entrepreneurial and marketing training, and unavailability of specific support associations and government support are the key findings of the study. The next chapter concludes the study.
CHAPTER 6: SUMMARY, CONCLUSIONS, POLICY IMPLICATIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In this chapter a summary of the findings of the study is presented. The chapter presents a summary of key issues, conclusions and policy implications of the study. The conclusions are derived based on the research questions asked in Chapter 1:

- What is the nature of women’s MSEs in the manufacturing sector in Kolfe Keranio and Nefas Silk Lafto sub-cities of Addis Ababa?
- What mechanisms are in place to support women’s MSEs in the manufacturing sector?
- What are the major problems facing women’s MSEs in the manufacturing sector?

Conclusions are drawn based on the findings and recommendations are suggested to address constraints of women-owned MSEs.

6.2 SUMMARY OF THE STUDY

The study focused on women-owned MSEs in two sub-cities in Addis Ababa namely: Kolfe Keranio and Nefas Silk Lafto. Eleven women engaged in the manufacturing sector were studied. Leather and leather products, textiles, soaps and detergents, and food and beverages were the subsectors the MSEs engaged in. The study found that all participants were in the productive age group. Similarly, all participants had additional responsibilities like raising children and managing their households. In terms of education, a few participants had attained low levels of formal education.

Due to lack of skills needed to run their enterprises, women were forced to depend heavily on knowledge gained through their lifetime at home to run MSEs. For instance, women in MSEs in the food and beverages sub-sector relied on food preparation skills acquired since childhood at home. Similarly, the use of home-acquired skills in the area of handwoven textiles was common. Although this may be an opportunity to take MSEs to the next level, women received inadequate support in terms of modern training to enhance their skills to become more efficient. The GoE is, however, helping women acquire modern skills by enrolling them into TVET programmes, although these focused narrowly on very few sectors. The few participants who had attained higher
education levels had graduated in unrelated areas such as pharmacy, education and information technology. These women found it difficult to start enterprises due to lack of relevant training in entrepreneurial skills. This acts as a disincentive and demoralises women in making bold decisions to engage in manufacturing and related enterprises. Moreover, women are constrained by family obligations that consume much of their time that they would use to run business enterprises.

Women were found to have limited experience in running MSEs. Most had no more than two years of experience in the business enterprise they owned and operated. In terms of duration of stay in Addis Ababa, only one woman was a native of Addis Ababa city. The rest were immigrants from rural and other urban centres of Ethiopia. Despite their immigrant status, the study found that participants had lived in Addis Ababa for a minimum of 5 years, with some having stayed in Addis Ababa for as many as 11 to 20 years. However, women had not used their time to expand their social capital. For instance, the study found that most of the participants were not attached to any organisation or association.

The study found that only two participants dealing in food and beverages were members of or attached to an association. Despite their membership, they received little assistance if any from the association. The GoE had taken some steps towards organising MSEs. More effort is needed in this regard as the study found out that there was only one women-targeted association, WEDP. The organisation organised and implemented entrepreneurial training programmes and offered financial support to women. However, the WEDP had not benefited women as expected due to a general lack of information about the organisation and the specific support the institution offered.

The GoE had set a quota of 50% women-owned MSEs to equalise gender participation in economic development activities. It was hoped that this would increase women participation in economic development, particularly MSEs. The strategy suffered the following setbacks:

- Lack of specific data due to absence of or very limited research focusing on women-owned MSEs. Available data existed in government documents, which were not directly aligned to women’s needs, implying women problems may not be well understood;
- Only one association was working on women-owned MSEs yet there were tens of thousands of women that needed their services across the country; and
• A general lack of awareness about sustainable strategies to deal with women’s abject poverty and high numbers of unemployment among females.

Women-owned MSEs had very limited initial capital at the beginning of the business. The initial capital was sourced through individual savings and contributions by immediate members of their families. Leather and textile MSEs had the lowest initial capital yet they needed much more to start business compared to others. Women dealing in food and beverages had relatively better capital although the highest was only half of the required capital for MSEs. Considering the current capital needs, most women-owned MSEs still have limited capital of up to ETB 50 000. Women dealing in textiles and food and beverages had managed to substantially increase their capital although they were nowhere near attaining the minimum threshold for expanding into medium-sized enterprises.

In terms of labour, MSEs may have a maximum number of 30 employees. Data obtained from six participants indicated that they employed less than six workers with some employing only two. Participants have up to six dependents with the minimum being two. This diminishes the already small capital and meagre incomes of participants, which negatively affected the growth of their enterprises. The study also found that:

• Few lending institutions were willing to offer loans to women-owned MSEs who lacked collateral. Moreover, some women lacked information about the requirements and procedures to access loans from financial institutions including information about loan repayments.
• Banks required expensive collateral, mainly real property that many MSEs did not have. Bureaucracy discouraged even those few MSEs that met the requirements from accessing loans from lending institutions.
• There was a lack of a streamlined financial system that shortened the loan processing period. The bureaucracy in banks and other lending institutions discouraged women from applying for finance.
• Lending institutions were reluctant to take risks in case MSEs defaulted. In other countries, MSEs considered as role models are selected and their repayment experience is used by lending institutions as a benchmark to streamline their lending policies to MSEs. This experience has not been adequately used by financial institutions in Ethiopia.
6.3 CONCLUSIONS

The findings of the study revealed that women had limited education levels and skills. Those who have attained formal education either lack relevant skills or have low levels of education. Informal education focused on government-aided TVET, which is limited to a few sectors. It was thus difficult, if not impossible, for women who owned MSEs in the study area to exploit advantages or opportunities to expand their businesses. The GoE was already offering land at reduced prices in planned areas for MSEs seeking to start or expand their businesses, but, unless women have knowledge and skills to access and properly articulate their needs, it is difficult for them to access land and other benefits.

Concerning the nature or characteristics of women-owned MSEs in the study area, the study concludes that access to information regarding MSEs start-ups or establishment is still weak. The problem relates to weak implementation on the government side. This is evidenced by most participants (seven) who sourced information through self-initiative. The GoE had streamlined structures in cities to extend MSEs services by establishing an agency at federal level and decentralising MSEs issues to woredas. Despite this, gaps remained. Many women seeking to establish MSEs found it difficult to go to these offices to obtain information. The information for women did not consider their educational levels and availability of resources. The findings of the study indicated that only three women accessed information to start their MSEs through government offices. This is a clear indication of the deficiency of this mechanism in terms of information dissemination or access to information regarding MSEs establishment.

The other conclusion regarding the nature or characteristics of women-owned MSEs was the inability to access finance for MSEs start-ups and expansion. Banks, micro finance and other licensed lending institutions provide start-up and business expansion capital to MSEs in more successful countries like Pakistan, India and Uganda. The study indicated that women in the study area mobilised meagre financial resources start-ups mainly from relatives. The contribution by lending institutions was insignificant. For instance, only two women accessed start-up capital from banks and MFIs. The failure of MSEs to access start-up capital from lending institutions stemmed from the fact that women lacked collateral security demanded by these institutions. Similarly, most women-owned MSEs are not organised into associations which could act as a guarantor on registration. Women who succeeded in accessing financial and other forms of support like training...
were provided with information from support organisations like WEDP. The organisation helps women to overcome the bureaucratic requirements since its services are only women-oriented.

About knowledge of MSE expansion possibilities, all most all the participants had prior knowledge before the establishment of their MSEs. However, very few knew that government policy offered expansion possibilities. This indicates a failure by responsible agencies to popularise government policies regarding MSE expansion. Instead, women envision the prospect of business expansion enabled by the need to create jobs, availability of personal capital, avoidance of dependants and market linkages through personal initiatives. This will do little to unlock opportunities for growth unless the advantages the policies offer are well articulated to and understood by women.

In addition, the traditional belief that is held by the agencies is misleading at it states that women-owned MSEs continue paying tax obligations and workers’ salaries – both these are indicators of MSE growth. A positive impact in terms of women’s MSE growth could be realised by putting women-specific MSE policies in place and through strategic support targeting financial requirements to break barriers to expansion of women’s MSEs.

In terms of operations, a significant number of women-owned MSEs use either labour-intensive production approaches or a mix of production techniques using outdated technology. This has a direct impact on their output in terms of quantity and quality, which results in poor marketability for products and subsequent low profitability. In contrast, the use of modern and efficient technology saves time, improves product quality and increases competitiveness. MSEs receive limited support in form of training, counselling, training on savings and other generic information by one role player, namely, the GoE.

The key problems of MSEs relate to workspace and implementation of the MSE strategy. In terms of workspace, the standards required by each sector are not calculated or based on the type of nature of production. A typical example is where similar space/dimensions are allocated to MSEs with different production processes and space needs like cell phone repairs and textiles. As a result of lack of differentiation in terms of business that operates under shaded cover or government buildings, some MSEs had applied for more space. The space demand is due to inadequate storage facilities demanded by say MSEs producing textiles, leather and soaps and detergents. Women were
forced to store produced products in other rented places or their homes which adds an additional cost and limits expansion possibilities.

The study concludes that women-owned MSEs receive limited support in terms of marketing strategies and business counselling. This is because most support offered mainly by government offices focuses on machinery, access to technology and training in management and accounting. Marketing strategies narrowly focus on traditional methods where women display products at organised exhibitions or bazaars. Modern marketing strategies that make use of the internet to reach out to a broad spectrum of customers are lacking or not yet fully institutionalised not only at agency level but also at MSE level.

Women generally lacked information regarding various aspects of MSEs during the establishment of their businesses. Women-owned MSEs had received various types of support, particularly from government agencies. However, the support they are currently receiving is inadequate to enable transform their business. Women-owned MSEs still face problems on many fronts including workspace, limited finance, outdated technology, poor marketing strategies among others that need addressing.

6.4 POLICY IMPLICATIONS AND RECOMMENDATIONS

The policy implications and or suggested recommendations herein are made based on the key issues in preceding chapters. The implementation of the policies highlighted in this chapter largely depends on whether the GoE and FeMSEDA deem them important. The policy implications given herein are a springboard to invoke further debate with the aim of articulating critically important aspects of the MSE policy and related issues to enhance the economic independence of women. Similarly, the chapter articulates women-owned MSEs issues deemed by the researcher as important to bring about appropriate responses from all involved (policy makers, managers, researchers, gender officers and other experts) to address economic needs of women and the need to boost their economic activities to required levels.

Research can be re-oriented to include gender-specific MSE research themes and regular dissemination to create awareness about women’s economic issues and well as solutions to women’s problems in MSEs. Increasing women’s participation in MSEs remains crucial to their economic advancement. However, its attainment hinges on practical steps to increase support in
various forms to make it a reality. Assisting women-owned MSEs to grow is made possible through the alleviation of bureaucratic processes. Understanding the role of information and devising appropriate channels through which it is disseminated are key to engaging women in MSEs.

Low education and limited skills imply the need for government and other stakeholders such as the private sector, NGOs and CBOs to embark on full-scale education and training programmes. To have more value, education and training programmes should directly be linked to what women do in their MSEs. Similarly, education and training should be designed to suit on-the-job training methodologies or approaches where women can continue to operate their MSEs while simultaneously upgrading their skills. The participation of women is higher in the manufacturing sector than other MSEs sectors. Women find it easier to join the manufacturing sector since they already have valuable experience at family level, say in the area of food preparation and traditional handwoven clothes. New training programmes need to capitalise on the experience that women have to make them more effective. However, women can also be encouraged to diversify their skills.

Similarly, training needs to be diversified to focus on a wide range of sectors beyond textiles, woodwork and mechanics. Women can participate in the design of the training curriculum. This is because women have gained valuable experience during the operation of MSEs. Similarly, they are faced with various restrictions. This can inform curricula design and implementation modalities. The commonly used approach where women are expected to attend courses before establishing an MSE can be supplemented by further programmes that target on-the-job training of women. Through this, women may be given an opportunity to learn new production techniques to increase the quantity and quality of their products.

Awareness creation is needed across institutions implementing MSE programmes. The concerned institutions need to understand the importance of the need to create jobs and eradicate poverty. During the development of MSE strategies and women’s MSE policies in particular, government and NGOs need to develop a framework that indicates how women-owned MSEs will contribute to unemployment reduction and poverty alleviation nationally. The policy should clearly indicate how local products produced by women-owned MSEs can be consumed locally to contribute to this goal. More effort is needed to make actors and the society better aware of women’s products
and their contribution to economic development, for example, by publishing messages of support for women-owned MSEs in local media or newsletters and rallying and lobbying private sector support for women-owned MSEs as well as publication of stories about successful women-owned MSEs.

Policies regarding increasing access to information regarding MSEs start-ups and activities must be designed and popularised in different local languages. The information-disseminating offices can be further decentralised beyond existing sub-cities and woredas to neighbourhood levels or existing MSEs premises across the city. Further decentralising MSE services including information would allow women access to information close to where they reside. Similarly, the agencies involved can take advantage of information technology to establish community centres where local residents can access information regarding city services including MSEs. These centres can be managed by women themselves. The methods and channels of information used must be customised to suit women’s circumstances. Similarly, women can be given training on the use of internet and computer software to able to take advantage of the information age to improve their knowledge on the products they produce. Cost-effective internet services can be used to identify product market destinations. Related government agencies and offices and private organisations already working with women can integrate such assistance as part of the support packages rendered to women.

Improvements in terms of access to finance are attainable through strengthening already existing initiatives to mobilise women into associations. The registration of associations as a sign of recognition or legitimacy must be dovetailed with the need to use membership or attachment to associations as a guarantor. This would offer individuals or a group of MSEs an opportunity to access finance from lenders where associations are used as a guarantor in cases where women lack expensive collateral demanded by financial institutions.

In terms of increasing production and improving product quality, the GoE, through its respective ministries, needs to step up efforts to implement policies seeking to incentivise MSEs in general. Incentives must be targeted towards cost reduction for MSEs either in importing modern technologies or those engaged in technological innovations locally. To this end, tax exemptions on locally manufactured or imported modern efficient technologies could be implemented to give women access to appropriate technologies to boost production and improve the quality of products.
Similarly, MSE support needs to be broadened to encourage the involvement of other players such as civil society organisations and the private sector. Training should be expanded to include product improvement and new techniques of production. The GoE is already implementing Kaizen training in its various offices. MSEs can benefit from this initiative.

A policy is needed as a matter of priority to re-orient women-owned MSEs towards implementing innovative and more effective marketing strategies. The policy needs to emphasise the use of the internet by women engaged in MSEs. This implies internet rates must be revisited and adjusted to enable affordability by MSEs. Already Ethiopia Telecommunications is offering attractive packages for internet access. The problem is that they are short-lived meaning that women cannot sustain their internet marketing initiatives. To this end, a policy on accessing the internet that seeks to offer long-term, affordable and sustainable rates is needed. This can only be achieved with concerted effort and negotiations between MSEs agencies, the GoE and utility providers, in this case, Ethiopia Telecom.

6.5 RECOMMENDATIONS FOR FURTHER STUDY

In terms of further studies, the study discovered a huge gap in terms of the criteria to transform from MSE level to the next level. Insights of the study indicate there are no clear criteria on transition. The criteria currently followed by the FeMSDA committee are not properly implemented, let alone understood by women. Future researchers can investigate the appropriateness of the criteria, their implementation and the way they are perceived by women who own MSEs.

A clear policy is needed to devise or develop standards for different MSEs’ activities based on empirical evidence. This means before deciding standards, a study should be conducted on the nature of production of different sector MSEs and sub-categories within each sector. The study should include best and worst practices to understand the practical problems in each sector. This thorough understanding can then culminate in the determination of standards not only for each sector but also for sub-categories within the sector to be able to correlate space requirements with MSE activities.
REFERENCES


Mulatu, W.( 2013) Addis Ababa, Ethiopia – Africa’s diplomatic capital *Department of Geography, Planning and Environment*, East Carolina University, Greenville, NC 27858, USA


ANNEXURES

ANNEXURE 1: UNISA ETHICAL CLEARANCE

To whom it may concern

Re: Letter of introduction: Field work for a Masters degree project

This serves to confirm that M Rahel Woldegebriel Gebrehiwot, (student no: 4328-321-7) is a Masters student under my supervision in the Department of Development Studies, University of South Africa. She intends to conduct fieldwork in the Ethiopia for her study project titled: "Women's participation in Micro and Small Enterprises (MSEs): The case of Addis Ababa". We kindly request your cooperation and participation in the study.

Any queries regarding the study can be made to Dr MJ Rakoljane at 012- 429 6721 or rakolmj@unisa.ac.za

Yours sincerely

[Signature]

Dr MJ Rakoljane (Supervisor)
ANNEXURE 2: INFORMED CONSENT

WOMEN'S PARTICIPATION IN MSES: THE CASE OF ADDIS ABABA

Dear Participant

I am Mrs. Rahel Woldegebriel Gebrehiwot, a master’s degree student at the University of South Africa and I am currently conducting research on the above topic. I am conducting this research to examine the nature of women-owned MSEs in the manufacturing sector in Kolfe Keranio and Nefas Silk Lafto sub-cities of Addis Ababa. This will assist me to explore the problems contributing to the idea that there is limited expansion of women-owned MSEs in the manufacturing sector and assist me identifying current and future opportunities to promote women’s participation in MSEs. I am very interested to share your experience, perspective and attitude regarding your participation on Micro and Small Enterprise. The results of the study will be shared with the federal Micro and Small Enterprise Agency (FeMSEA) and Kolfe Keranio and Nefas silk lafto sub cities in order to improve the participation of women in Micro and Small enterprise in the near future and make recommendations on what can be done to support women-owned MSEs.

Participation in this research is voluntary. You are free to participate in the study or opt out at any time. In order to maintain complete anonymity and confidentiality, you are NOT required to provide your name or address. You will not be referred to in the results of the study and your identity will remain anonymous throughout the research report.

As far as I can tell, there should be no harm caused because you have participated in this study. I am happy to answer any questions you may have. Do you have any questions?

For further questions about this research and related issues, contact Mrs. Rahel Woldegebirel at +251911676218 or rita_wg@yahoo.com

I have read the above consent form/the above consent form has been read to me; I have fully understood its contents and I consent to participate in this research project.

Signature: _____________________________

Date_______________________________

THANK YOU!
ANNEXURE 3: IN-DEPTH INTERVIEW GUIDE FOR WOMEN-OWNED MSES

The researcher will hold in-depth interviews with 11 women-owned MSEs in the two Sub-cities (Kolfe Keranio and Nefas Silk Lafto). The in-depth interviews will take about 45 minutes with each interviewee. The researcher introduces herself and the purpose of the discussion: I am Rahel Woldegebriel Gebrehiwot and study at the University of South Africa and I am doing this research for partial fulfilment of Master of Arts in Development Studies. I am conducting this research to explore the participation of women-owned MSEs in two sub-cities located in in Addis Ababa city, namely, Kolfe Keranio and Nefas Silk Lafto. I am interested in your experience, perspective and attitude regarding your participation on MSEs in the manufacturing sector. The results of the study will be shared with those organisations working closely with women-owned MSEs.

**Statement of Rights and Confidentiality:** Participation in the research is voluntary. You are free to participate in the study or opt out at any time. You will not be referred to in the results of the study and your identity will remain anonymous throughout the research report.

**General Background Information**

<table>
<thead>
<tr>
<th>Sub-city operated</th>
<th>Sector operated</th>
<th>Age</th>
<th>Marital Status</th>
<th>Education level</th>
<th>No of years of operation in the MSE</th>
<th>Initial Capital</th>
<th>Current Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of MSEs Association attached</th>
<th>No of MSE employees</th>
<th>Employment Full time/part-time</th>
<th>No of Dependents</th>
<th>No of family member working on MSES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. How did you start this business (MSEs)?
   1.1 Where did you get information about participating in and establishing Micro and Small Enterprises (MSEs)?
1.2 Do you have knowledge about policy and strategy about how to establish MSEs, requirement, MSEs promotion and development? Where did you get this information?
1.3 Where did you get the initial capital and available resources to start your MSE?
1.4 Do you have knowledge about Micro Finance institutes?
1.5 Do you have a specific reason why you selected the manufacturing sector?
1.6 What is the specific reason why you selected the manufacturing sub-sector you operate in?
1.7 How do you operate your business?
   i. Local product?
   ii. Advanced technology

2. Challenges and problems with running an MSE in the manufacturing sectors
   1.1 What are some of the challenges you face in running and expand your business?
   1.2 What do you think the main problems are in running women-owned MSEs? Please explain from your own experience

3. Government Support
   3.1 Do you know about the government (MSE office) support given for women-owned MSEs?
   3.2 Do you have any contact with MSE associations and MSE government office to discuss the problem and success of running MSEs? How do you communicate with them?
   3.3 What kind of support have you received from the government?
      • Do you think the support is enough? If not, please explain
      • Do you think the government give necessary and appropriate training to women?
      • What should be done?

4. MSE employment creation and MSE expansion possibilities
   4.1 Do you have any plan to expand your MSEs
      • If yes? How?
      • If No? What were the reasons
   4.2 What has changed since you started operating this business?
      • Personal life? Developing entrepreneurial skill, capital
      • Economic, employment opportunity for other?
At last I would love to hear if you have any questions and if there is anything else you would like to tell me about your experience in running your MSE.

Thank you
ANNEXURE 4: SEMI-STRUCTURED INTERVIEW GUIDE WITH THE DIRECTOR OF THE FEDERAL MICRO AND SMALL ENTERPRISE AGENCY

The researcher will hold semi-structured interviews with Director & FeMSEDA staff. Each structure interview take about an hour and 10 minutes. The researcher introduces herself and the purpose of the discussion: I am Rahel Woldegebriel Gebrehiwot and study at the University of South Africa and I am doing this research for partial fulfilment of Master of Arts in Development Studies. I am conducting this research-explored the participation of women-owned MSEs in two sub-cities located in in Addis Ababa city, namely, Kolfe Keranio and Nefas Silk Lafto.

I am interested in your experience, perspective and attitude regarding women’s participation in MSEs in the manufacturing sector. The results of the study will be shared with those organisations working closely with women-owned MSEs,

**Statement of Rights and Confidentiality:** Participation in the research is voluntary. You are free to participate in the study or opt out any time. You, as a person, will not be referred to in the results of the study and your identity will remain anonymous throughout the research report.

1. **Research objective. Examine the nature of women-owned MSEs in the manufacturing sector in Kolfe, Keranio and Nefas Silk Lafto sub-cities of Addis Ababa.**
   1.1 Briefly describe the development and importance of Micro and Small Enterprise strategy with due consideration to women’s participation in the economy?
   1.2 Do you think the MSE Strategy encourages the participation of women in the MSE sectors? How?
   1.3 Is there any specific strategic policy to support the transfer of women-owned MSEs to the medium-sized or large enterprise?
   1.4 Do you think the MSE strategy is supportive to increase the participation of women?

2. **Research Objective two: Explore the problems contributing to the fact that there is limited expansion of women-owned MSEs in manufacturing sectors**

   2.1 Kindly explain the problems contributing to the fact that there is limited expansion of women-owned MSEs in the manufacturing sector.
   2.2 How do you assess women-owned MSEs’ problems and achievements?
2.3 How do you assess women’s participation in MSEs in terms of their economic contribution?

2.4 Do you think is there is a specific problem of women-owned MSEs in the manufacturing sector?

3. Research Objective What mechanisms are in place to support women-owned MSEs and promote them to the next level?

3.1 Kindly explain the specific strategic support offered to women-owned MSEs.

3.2 Is there any mechanism to assess how the women benefit from the government support?

3.3 What strategic support is in place to promote women’s participation in MSEs?

3.4 From your experience, how we can increase the participation of women and grow their enterprises besides the government strategy of support for women-owned MSEs?

3.5 Is there any assessment to evaluate the economic contribution of women-owned MSEs?

Besides what I have asked you, is there anything else you would like to tell me about problems that hinder the participation of women-owned MSEs in the manufacturing sector?

Thank you!
ANNEXURE 5: SEMI-STRUCTURED INTERVIEW GUIDE WITH THE FEDERAL MICRO AND SMALL ENTERPRISE AGENCY GENDER OFFICE/EXPERT

The researcher will hold semi-structured interviews with gender officer. Each interview will take about an hour and 10 minutes. The researcher introduces herself and the purpose of the discussion: I am Rahel Woldegebril Gebrehiwot and study at the University of South Africa and I am doing this research for partial fulfilment of Master of Arts in Development Studies. I am conducting this research to explore the participation of women-owned MSEs in two sub-cities located in Addis Ababa city, namely, Kolfe Keranio and Nefas Silk Lafto.

I am interested in your experience, perspective and attitude regarding women participation in MSEs in the manufacturing sector. The results of the study will be shared with those organisations working closely with women-owned MSEs.

Statement of Rights and Confidentiality: Participation in the research is voluntary. You are free to participate in the study or opt out any time. You, as a person, will not be referred to in the results of the study and your identity will remain anonymous throughout the research report.

1. What is your evaluation of the impact of gender (being a woman in particular) in the exploiting economic development initiatives such as MSEs in Ethiopia and cities like Addis Ababa? Please explain.
2. What problems do women bring to your office as a women-owned MSEs? Please explain?
   • Is there a specific problem faced regarding day-to-day participation in MSEs?
3. What MSE specific support for women does your office have in place?
4. How are women taking advantage of the support you offer? Please explain.
5. What is your assessment of the possibility of women-owned MSEs to grow into viable businesses that can compete locally and internationally now and in the future?
6. How would you evaluate the contribution of women’s participation in MSEs at family, society and country at large?
7. Besides what I have personally asked you, is there something you would like to tell me about problems that make hinder to increase the participation of women-owned MSEs in the manufacturing sectors?

Thank you!
ANNEXURE 6: DIRECT OBSERVATION

I am Rahel Woldegebriel Gebrehiwot and study at the University of South Africa and I am doing this research for partial fulfilment of Master of Arts in Development Studies. I am conducting this research to explore the participation of women owned MSEs in two sub-cities located in in Addis Ababa city, namely, Kolfe Keranio and Nefas Silk Lafto.

The researcher observed six women owned MSEs located in the Kolfe Keranio and Nefas Silk Lafto sub-cities. The observation was done by the researcher and a research assistant. Instead of asking questions, the researcher observed the location and premises of women’s MSEs.

**Statement of Rights and Confidentiality**: Participation in the research is voluntary. You are free to participate in the study or opt out at any time. You will not be referred to in the results of the study and your identity will remain anonymous throughout the research report.

<table>
<thead>
<tr>
<th>Item</th>
<th>Observation comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location of MSE</td>
<td></td>
</tr>
<tr>
<td>Type of MSES</td>
<td></td>
</tr>
<tr>
<td>Who run MSEs</td>
<td></td>
</tr>
<tr>
<td>Storage</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td></td>
</tr>
<tr>
<td>No of Customers</td>
<td></td>
</tr>
<tr>
<td>Others comments</td>
<td></td>
</tr>
</tbody>
</table>